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CALIFORNIA Journal

The leadership puzzle

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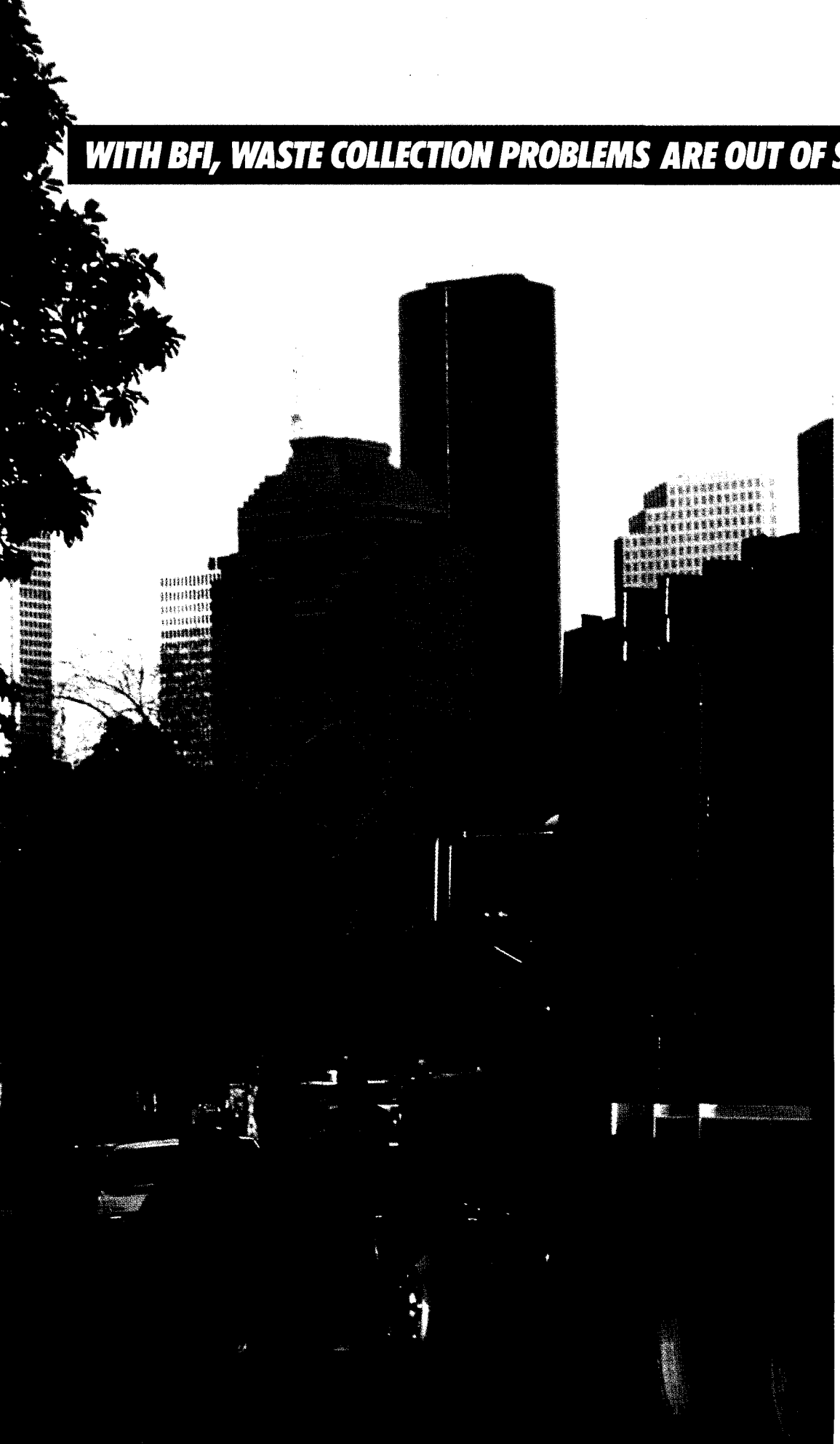

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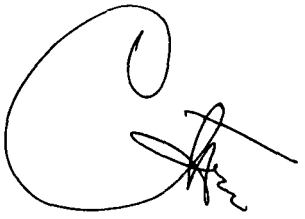

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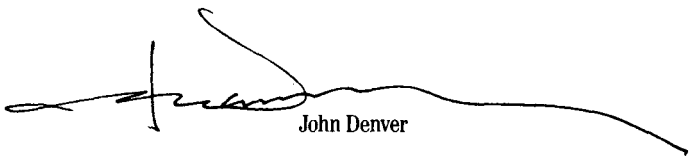

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CALIFORNIA Journal

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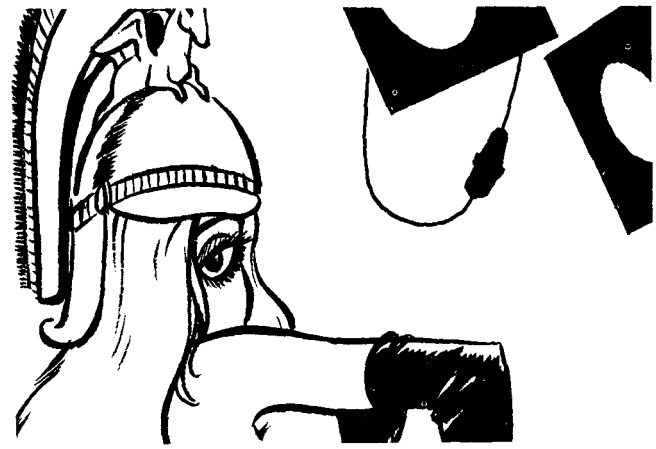

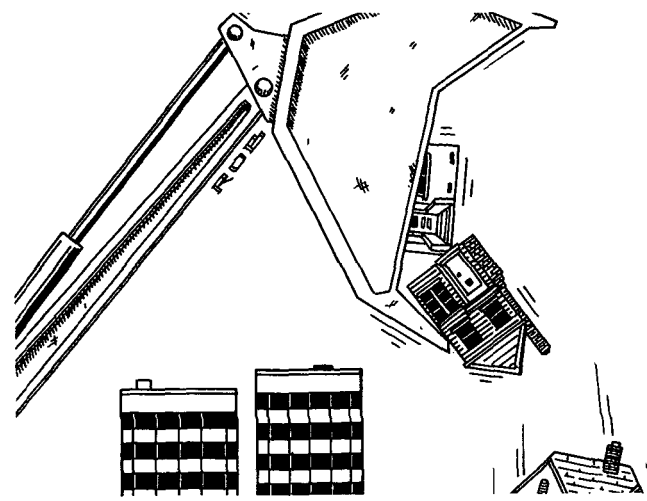

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UP FRONT

Typical Willie Brown, smokescreen division. The speaker recently dished out yet another example of his gobble-de-gook when asked why Republican Bev Hansen was dumped from a select committee on the wine industry. Hansen, vice-chairwoman of the committee a year ago, represents the state's premier wine-making region — the Napa and Sonoma valleys. Committee Chairman Dom Cortese, a San Jose Democrat, had asked that she be reappointed.

No dice, said Brown.

In a letter to a curious vintner, Brown aide Phil Dowd explained, "Assemblywoman Hansen voted for Assemblyman Charles Calderon for Speaker. Assemblyman Calderon supports the grape boycott [being staged by the United Farm Workers]. The Speaker did not want your industry hurt by people who had an opinion on who the leaders should be on such issues different from his own.

"When Assemblywoman Hansen wishes to further the cause of the wine industry and oppose people who oppose the boycott, she could be a member then."

Calderon, of course, is a ringleader of the Gang of Five, the crew of rebel Democrats who gave Brown such fits last year (see "A crumbling speakership?" *CJ*, April 1988). His run for speaker after last year's elections was seen as one more affront to Brown. But Brown wouldn't fess up to one of Hansen's constituents that he punished her for voting for a Gang of Fiver (as did nearly every other Assembly Republican). He made it sound as though he had thrown his body in front of those who would harm the wine industry.

First of all, Brown himself does not oppose the grape boycott; he is neutral. According to his press secretary, Susan Jetton, Brown "hoped he wouldn't have to [take a position on the boycott] since he has friends on both sides."

Jetton went on to explain that the seven-member Assembly Select Committee on California Wine Production and Economy "had been balanced between those who were pro and con on the boycott and her [Hansen's] appointment would have tipped the balance in favor of people who favor the boycott," something Brown was apparently loathe to do.

Hansen, however, opposes the boycott and says Brown never asked her about it. Not only does Hansen oppose the boycott, so does every other member of the committee except Democrat Dan Hauser, who like Brown is neutral. In addition, two Republicans on the committee — Eric Seastrand and Bob Frazee — voted for Calderon for speaker.

So, why was Bev Hansen singled out? Could it be that Brown and his fellow Democrats punted her reelection last November, deciding not to help her opponent and essentially giving her a free ride in a marginal district? Could it be that her vote for Calderon was seen as an ingratitude worthy of revenge?

If this was the reason, so be it. Hardball politics happens every day in Sacramento, even on a point as trivial as a select-committee appointment. But why bother to manufacture a bogus justification out of thin air?

Speaking of Hansen, the Santa Rosa lawmaker has come up with a novel way to dispose of honoraria while collecting political chits at the same time: She gives the money away to nonprofit groups in her district. Hansen says she has given away "several thousand dollars" in the past few years to groups such as Our Family, a Napa drug rehabilitation center; Konocti Industries, a workshop for the developmentally disabled; the state Vietnam Veterans Memorial; and the Lakeport Senior Center, among others. She keeps none of the money for herself, she says.

How many shoes does David Levi own? That's become the hot topic of discussion around the Legislature now that Levi, the federal prosecutor for Sacramento, has dropped the first one on Democratic state Senator Joseph Montoya and his former aide, Amiel Jaramillo, both indicted by the grand jury on charges of racketeering and extortion. The indictments come after more than three years of investigation by the FBI into corruption of the state Legislature. During the course of the investigation, the FBI set up a dummy corporation and had two bills introduced. Both passed, although they were blatantly written to aid just one firm — the phony FBI firm. The Montoya indictment is interesting because it includes charges Montoya solicited payoffs for a number of other bills — real bills. And that means that somebody out there has been talking and somebody out there is fed up with the way things work in the California Legislature. If that attitude has become even a little bit widespread, Levi may have to go shopping for a whole lot more shoes before this thing is over.

Jim Bald scores again. Bald, who analyzes legislation for Assembly Republicans, turned more of his creative juices loose on an AIDS-education bill authored by Democrat Tom Hayden. The bill, which passed the Assembly Labor Committee in early May, would require medium and large employers to distribute AIDS information to workers.

According to the *Sacramento Bee*, Bald suggested in his analysis that AIDS may be contracted from casual contact, including toilet seats, contrary to the opinion of most health experts. "If an AIDS patient turns up on your job or in your office, not to worry, bubba, you won't catch this dread disease just because this guy works with you," Bald wrote. "Maybe. We hope." The purpose of the bill, Bald warned, is "to blunt discrimination against gays who may (one, after all, never knows) be carrying around the HIV virus."

"The liberals' biggest problem with AIDS," Bald concluded, "isn't its danger to the community at large, but the negative spotlight it puts on sexual preferences which have their blessing."

Bald has a habit of firing off snappy, our-tribe-against-your-tribe slaps at Hayden's bills. Last year, for example, he said of a Hayden child-care bill: "Liberals of the Volvo/Chablis set are constantly turning to child care as a problem they want to solve, because their career-oriented women don't want to stay home with the kids. It's boooooooring. Working class women who work because they have to seem to always find a place to drop off the kids in the morning and pick them up in the afternoon."

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Gang back — sort of

As divorces go, this one was particularly messy. The parting-of-the-ways between the Gang of Five — Assembly members who had been proteges of Speaker Willie Brown only to decide their mentor had to go -- disrupted most of the 1988 legislative session. Infighting and intrigue replaced policy and performance.

But the November elections reinforced Brown's tenure as speaker. Against all expectations but his own, he picked up three Assembly seats for the Democrats. After a special election this year to replace the late Curtis Tucker, Brown had 42 solid votes in the lower house, and the five dissidents had learned a lesson in mathematics.

As a result, the five gang members — Rusty Areias of Los Banos, Charles Calderon of Whittier, Gary Condit of Ceres, Jerry Eaves of Rialto and Steve Peace of El Cajon — have entered into an uneasy attempt at reconciliation with Speaker Brown. Some have edged back toward the good graces of the speaker. Others remain on the outside, sullen and distrustful.

Prior to their falling out with Brown, the five gang members had all been part of his inner circle. Some had developed reputations as wheeler-dealers in the caucus who could make or break legislation, including bills of concern to major campaign contributors. But that reputation was apparently the key to their downfall. They started to believe their own billings, and word was getting back to Brown. Brown told them to knock it off. They refused, and Brown stripped them of their committee posts and banished them to closet-like offices.

For the gang, the dispute evolved into a struggle over their independence as legislators. They proposed a series of "reforms" that would weaken Brown's power and, on occasion, they combined with Republicans to wreak havoc on Democratic legislative plans. At one point, had they combined with Assembly Republicans, there would have been enough votes to topple Brown. But the deal fell apart because Republicans wanted their own leader — at the time, Pat Nolan of Glendale — to become speaker while gang members held out for one of their number to assume the top spot. By the time the gang's anger was great enough to vote Republican, the GOP ranks dropped by one with the death of Orange County's Richard Longshore, and there no longer were 41 votes to oust Brown.

Following the November 1988 elections, Nolan was toppled as minority leader, Ross Johnson assumed Nolan's post, and the gang's chance for pulling off a coup evaporated.

But Brown has also been on the losing side of a speakership fight, and he knows it's unwise to keep any faction on the outside. As a result, he's made attempts to bring gang members back into the fold.

"I wouldn't say we're all getting along. Let's just say the arithmetic has changed," offered Areias, who has been perhaps the biggest beneficiary of the slight warming in relations. Areias, responding to an initiative from Brown, asked for and got two new staffers and more office space. Eaves and Peace have also gotten more staff, but Condit and Calderon remain cloistered and brooding, contemplating their prospects for elected office outside the Assembly.

But if the gang members failed to triumph over Brown, they maintain that some victories were won. For one thing, talk of legislative reform is louder than ever. For another, "We've established the right to act independently. No one challenges that now," Areias said.

But at least to this point it's independence without effect.

It's still too early to assess the ultimate impact of the speakership fight. A precedent has been set for challenging Brown, and the speaker — who last fall quietly observed an anniversary for the longest tenure as speaker — was forced to accommodate. As a result, some believe that his overall position in the house, although secure, has been weakened and that he no longer has the control over the flow of legislation that he had before the gang became active. Still, Willie Brown is the consummate political in-fighter. And if there's one thing he knows how to do, it's keep the members of his house happy, including, perhaps, the once-estranged.

Kudos to Rex Clark, a city councilman from Watsonville, for a unique perspective on his role as a public servant. Early in May, the Watsonville Council voted to hold a town meeting on the city budget, which is $900,000 in the red. According to the *Register-Pajaronian* newspaper, there was some confusion whether the meeting would be a study session, where no decisions would be made, or a regular council session where members could take action. Clark objected to the study session. "If it's just a study session for public input," the paper reported Clark saying, "I'll stay home."

Fan appreciation day. There it was, in Sharen Muraoka's mail, a package from the president of Philip Morris. Inside, Muraoka found a bright red Marlboro hat; a Philip Morris pen inscribed, "If you want to light up, speak up;" an "I smoke and I vote" bumper sticker; and a copy of "The Great American Smoker's Manual." Finally, there was a letter from the company president, lauding her efforts "to defeat Proposition 99, California's 25-cent cigarette tax increase."

Well, Philip Morris got it half right. Muraoka did work long hours on the Proposition 99 campaign, but for the other side. She is media-relations director for the American Cancer Society in Sacramento.

"We need to be on our guard against allowing the mere collector of information to gain an undue advantage over the man who would maintain some balance between his knowledge and reflection."

— Irving Babbitt

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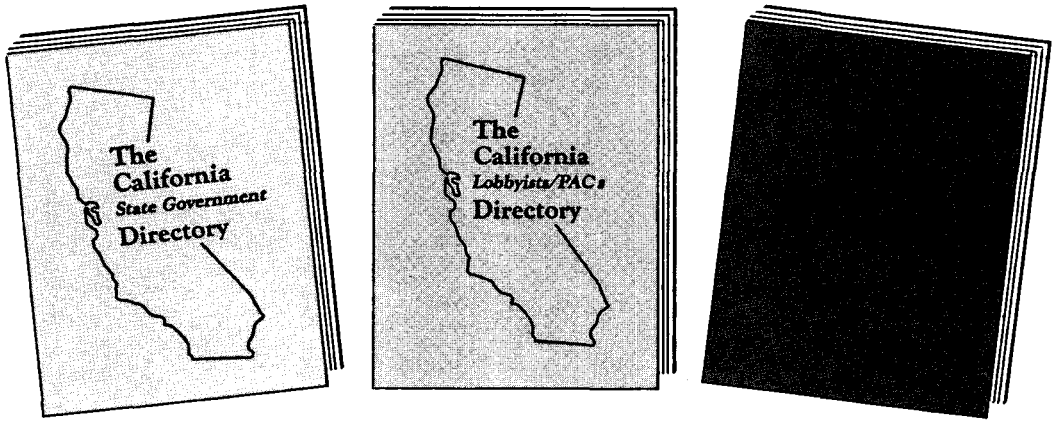

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The puzzling lack of leadership

By A. G. Block

In 1951 the most popular public figure in America was not a politician. He was a soldier — General of the Army Douglas MacArthur, commander of United Nations forces in the Far East. The leading politician of the day, President Harry Truman, raised barely a blip in the Gallup Poll and faced a tough reelection campaign the following year. Yet, Truman sacked MacArthur after the general refused to subordinate himself to civilian authority during the Korean War.

MacArthur's firing was necessary to avoid a constitutional crisis, the nuances of which were lost on most Americans. To them, MacArthur was a hero of Olympian dimensions, a mystical symbol of the best in America itself. His departure in the middle of a war was unthinkable.

Truman's action required political courage and was a rare instance when the character of a leader emerged to place the common good above self-interest. The predictable vilification Truman later received ended any hope he had of holding onto office. He chose instead to retire. But Truman's vision of the presidency went beyond the fate of one politician, even when he was that politician. He understood the threat posed to the presidency and the Constitution by MacArthur's insubordination.

The Truman-MacArthur episode reveals a potential paradox of effective leadership. The firing of Douglas MacArthur was a resolute and courageous act although, politically, it was suicide.

Today, courageous and visionary political leadership seems in short supply, both in California and across the country, at a time when it is desperately (*Continued on next page*)

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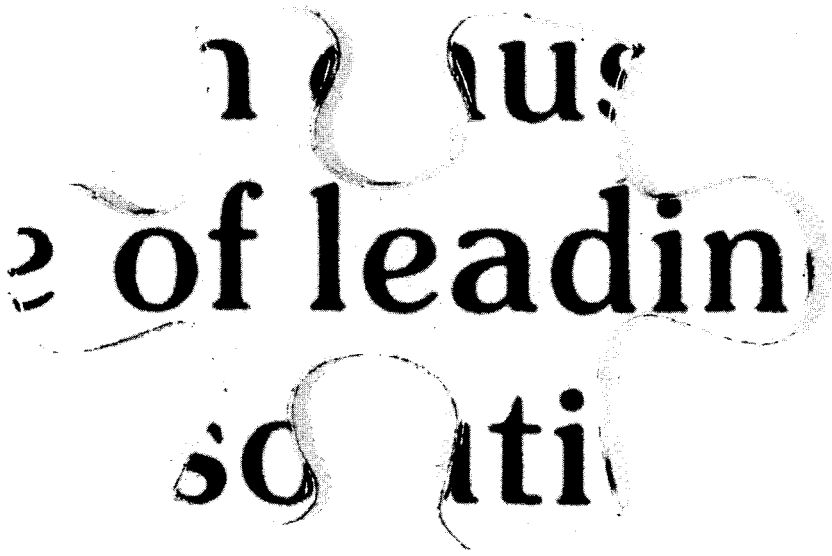
needed. The problems and challenges facing society are complex and require innovation, boldness and statesmanship. In California, armed gangs roam unchallenged through poor neighborhoods; the urban transportation system is grinding to a halt; nearly as many high school students drop out as graduate, while many who do graduate seem ill-equipped to become productive and literate members of society; the environment grows increasingly contaminated; large numbers of immigrants pour into the state, overburdening schools, social-service and health-care systems; funding for government at all levels is muddled and patched together with band-aids. And people show an increasing indifference toward the system designed to cope with these problems — government. This past April in Los Angeles, less than 20 percent of the eligible population bothered to vote for mayor.



Meanwhile, political figures seem long on ambition but short on leadership. Substantive debate has all but disappeared from political campaigns, replaced with posturing and demagoguery. The leading presidential candidate is content to campaign with vague symbols and misinformation, calling for "a kinder, gentler nation" without explaining what it means or proposing how to get there. Legislators, preoccupied with internal politics, trivialize their institutions, offering few, if any, substantive programs, practicing government by abdication. The media exacerbates the situation by ignoring politicians' minds and focusing instead on their manners.

In California, the governor acknowledges that his budget does not contain enough money to adequately fund education, health care, transportation and social services. He then points to a state spending limit and says, "It's the best we can do." He offers little more than a shrug.

In California, the Legislature dawdles through half-hearted attempts to reform the auto-insurance system, fails, then retreats to the sidelines as voters struggle to decide among five self-serving initiatives shoveled onto the ballot by various special interests.

Is this the best society can expect from its political leaders? What is effective leadership, and why does it seem in such short supply?

According to historian Carlo d'Este, leadership is "an intangible combination of factors," invisible qualities that add up to far more than "the authority that automatically devolves from rank or position." First among those factors are vision and character. Of equal importance is the ability to motivate people to follow.

In a broad sense, vision implies an understanding of who we are and who we should become as a people, as a society — our dreams, our goals, our accomplishments. It was best articulated by the late Robert Kennedy, who said, "Some men see things as they are and say, 'Why?' I dream of things that never were and say, 'Why not?'" It is John Kennedy challenging America in 1961 to place a man on the moon by the end of the decade. It is Martin Luther King Jr. dreaming of universal brotherhood on the steps of the Lincoln Memorial. It is Ronald Reagan restoring pride in being an American. It is a gut sense of the common good over the narrow self-interest.

Vision without character, however, is a facade. Character involves integrity, courage and the tenacity to maintain one's ideals in the face of failure and repudiation. It means not only proposing novel ideas for solving problems but the willingness to pursue those ideas, however unpopular at any given moment. It means accepting responsibility for failure and false starts. Abraham Lincoln was many times a failed office-seeker. So, too, was Pat Brown. Winston Churchill's political career resembled a roller-coaster.

Finally, a leader must seduce the public. He or she must inspire people to accept the vision and follow his or her path toward the goal. Eugene McCarthy had both vision and character when he ran for president back in 1968, but the former Minnesota senator could not get enough people to follow his lead. Nor could Socialist Eugene Debs on the several occasions when he sought the presidency.

There are other "intangibles" as well: intelligence; the ability to articulate one's vision and to inspire widespread confidence; the personal confidence to hear and appreciate opposing points of view; the flexibility to compromise without losing sight of the goal; the pragmatic where-with-all to get things done.

California's symbolic leader is her governor, George Deukmejian, who has rank and authority and a "bully pulpit" from which to rally the state. Deukmejian is regarded as competent, sincere and honest, but not as an effective leader. A cautious man, he has become California's political janitor, able to keep the state running with the resources at hand but unable or unwilling to offer substantive blueprints for improving the machinery. He is a man who would superimpose the present on the future and call it vision. "A gray manager," said one Republican legislator.

Deukmejian is not alone. No California politician of late has stepped forward to ignite the public's imagination or propose novel solutions to the state's problems. Former Governor Jerry Brown was an imaginative thinker but lacked credibility, which meant people were not likely to follow. Most observers say California's last real leaders were former Governor Pat Brown, who has been out of office for over 22 years, and the late Jesse Unruh, the speaker of the Assembly during the 1960s.

Today, the state's highest-ranking Democrat, Lieutenant Governor Leo McCarthy, is considered a man unafraid

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to tackle problems but relegated to little more than a sideshow during his seven-year tenure. Assembly Speaker Willie Brown Jr., a San Francisco Democrat, has devoted most of his energies to the internal politics of his house and to raising campaign money for his caucus. Senate President pro Tempore David Roberti, a Los Angeles Democrat, has conviction and courage but has yet to display any far-reaching vision.

In fact, the public figures who have had the most dramatic impact on California over the past 20 years never held any office — Howard Jarvis and Paul Gann, whose initiative schemes (Proposition 13, 1978; Proposition 4, 1979) by-passed government yet revolutionized the way government raises and spends money.

"We are stalled on leadership," said Assemblyman Tom Hayden, a Santa Monica Democrat who plans a book on the subject. "The crisis is especially acute because the problems ... require both courage and vision, and we're veering toward a bankruptcy of vision."

Vision, Hayden added, involves both a sense of who we ought to be as a people and ideas and methods for solving problems — a combination of idealism and pragmatism found in few politicians. Today, he argued, we must look overseas to find the most dynamic and courageous leaders; Bishop Desmond Tutu of South Africa and Polish labor leader Lech Walesa are examples of those who have been able to articulate a vision for their countries as well as pragmatic ways to achieve the goal. Add to that list Prime Minister Benazir Bhutto of Pakistan and British Prime Minister Margaret Thatcher.

In this country, and especially in California, Hayden said, vision has been squeezed out by entrenched politicians and a non-competitive political system — a view shared by Kirk West, president of the California Chamber of Commerce and a former member of Deukmejian's cabinet. As a result, argued Hayden, the Republican and Democratic parties no longer offer leadership because they are content to dwell in symbols rather than in substantive ideas, which help direct society into the future.

"The Republican vision becomes vacuous," Hayden said, "with George Bush standing in front of flag factories. It is a cliche rather than a vision because it no longer helps shape who we are."

Democrats Hayden argued, are no better off. "Democrats have dominated city councils and legislatures by talking about where government needed to help people. But our blueprints usually come down to raising money from taxes and spending it on social programs." A "programmatic cliche," he said. The result, a bankruptcy of vision, is tantamount to a surrender, warned Hayden. "People are becoming of a mind that certain problems are [unsolvable] ... This is where the danger sets in."

To have vision, individuals and society must be able to think in broad terms about solutions to society's ills. But more and more, society itself is fractured into special interests that see the world from inside narrow boundaries — gun owners, anti-vivisectionists, renters, pro- and anti-abortionists, insurance companies, trial lawyers, optometrists, labor, environmentalists, teachers, *ad infinitum*. A leader must have courage to articulate a broad vision that may require every interest group to sacrifice for the common good. But given the power of special interests to mobilize voters and to contribute money to and against candidates, it is often suicidal for a politician to propose a vision more succinct and more thoughtful than "we should all feel good about life."

"A person will tell you he wants leaders to emerge, but that same person will be mad as the dickens at a [politician] who takes a stand he disagrees with on an issue," said Democrat Lloyd Connelly, a Sacramento assemblyman.

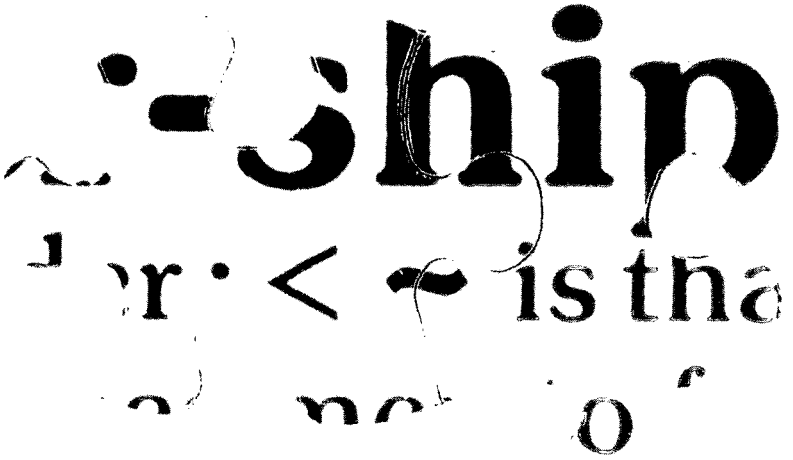
What Connelly and others fear is that years of walking tightropes among the various special interests has squeezed both vision and courage out of the political equation. "It may be," Connelly said, "that folks don't have that gut sense of what ought to be anymore, that they are administrators rather than leaders and that they follow the momentary burst of wind, one way or the other."

The rise of special-interest power has caused a corresponding decline of political party power. Special interests tend to choke vision. Parties encourage it because they embrace ideology. Special interests — especially those from business, labor and the professions — have been more important to politicians over the past three decades because they have been fertile ground for campaign money.

"Financing campaigns is done more and more by special interests which have a financial interest in government rather than an ideological interest," said state Senator John Garamendi, a Walnut Grove Democrat. "As a result, candidates are not as willing to take strong positions for fear it might cut off money."

Ross Johnson, Republican leader of the Assembly, could not think of one statewide political figure in California who is now articulating a vision for the state. "This is frightening," said Johnson. "You attain success by going along, getting along, by not rocking the boat." Visionaries, he said, by nature rock the boat.

Not everyone takes such a pessimistic view. To some, what seems like lack of vision may simply be an adjustment to the problems of an increasingly complex society. "Many of us don't know the answers and don't know where to go to find them," said Assemblyman Richard Katz, a Los



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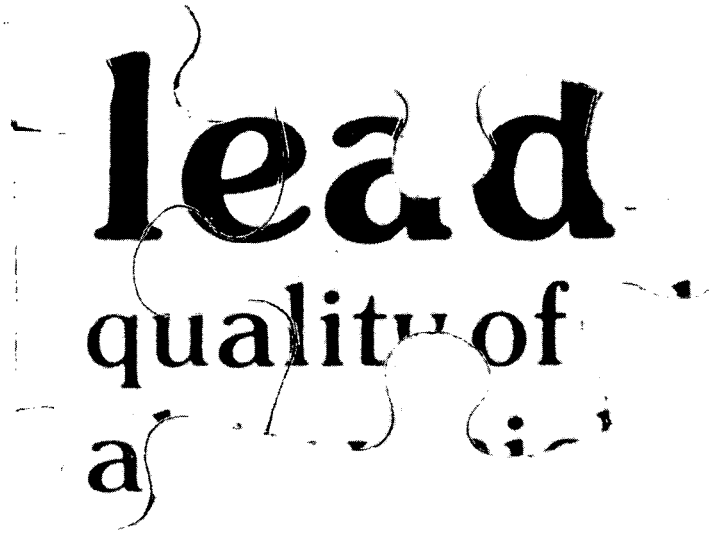
Angeles Democrat. "The result is perceived as floundering ... but [it] is actually a searching for answers."

Perception becomes reality in the political arena, however, and the perception of floundering frustrates a public that grows increasingly impatient for answers and solutions.

Whenever those answers emerge, leaders must put them before the public. And given the complex nature of today's problems, many of the solutions may be painful. Because it is human nature to kill the messenger, political leaders must have the fortitude to feed the public a bitter medicine, even if that medicine ultimately enhances the cure. But political courage seems to be in shorter supply than vision. Few officeholders seem willing to take risks, indicating an unwillingness to place public interest above self interest.



"What squeezes out risk-taking?" asked independent state Senator Quentin Kopp of San Francisco. "The age-old desire to be reelected. Risk-taking and keeping one's job are not necessarily compatible."

"Politicians want to get elected for the sake of getting elected and staying elected, and they aren't willing to step out on that cutting edge anymore," said state Senator Dan Boatwright, a Concord Democrat. Boatwright, among others, complained that politicians no longer want to acquire power to accomplish anything for society, but simply for the sake of having power.

Political courage can be affected, too, by what Assemblyman Katz called "the single-issue litmus test."

"When you see more and more people defeated because they were on the wrong side on one issue out of 100, [other politicians] dump the tough issues," said Katz.

Assemblyman Connelly and others expressed dismay at that trend among legislators, given that most of their districts are relatively safe. "I've heard legislators admit that they were politically frightened of some little bill even though they come from a district where they'd probably have to be hauled off and indicted before they'd lose," Connelly complained, attributing this lack of courage to ambition. "You never know when a particular vote may haunt you," he said. "Ambition is a very jealous mistress."

Most observers trace the current decline in political courage to the passage of Proposition 13 in 1978. "Politicians were overwhelmed by Proposition 13," said Garamendi. "It scared the hell out of them, and they ran for cover. Most have yet to come back up."

"Politicians feel they must be very careful about certain issues," said Assemblyman Tom Hannigan, majority leader of the lower house. "Taxation is one, yet this is a fundamental issue of government. Without tax resources, government doesn't function. But we have a generation of politicians who feed on the notion that you have to declare up front, 'No new taxes.'" Hannigan charged that that attitude is not leadership; it is posturing that does nothing to solve problems.

Many of society's most complex problems will require money or rule changes to solve; whether to improve schools, clean up the environment, crack down on drug dealers, or ease gridlock. They will require reform, and reform is often painful.

"Solutions," said Connelly, "either cost a lot of money or crimp some people's toes. Under these circumstances, it's easy for a so-called leader to back away. The effective leader is one who can make the hard decisions *and* explain to people why they are necessary."

Finding that effective leader is becoming more and more difficult. Even finding candidates with confidence to take on tough issues is a problem, noted Assemblyman Katz. "For too long, we've been electing wimps to office," he said. "People are so afraid of their own shadow that they come in here [to the Democratic caucus] and say, 'If you give me all the money and make it easy on me, I'll be a candidate.' We need a few who are willing to go to voters and say, 'This is who I am and this is the job I'll do,' and are willing to look for another line of work if the voters disagree."

Courage and vision are not enough, however. A leader must inspire people to follow, a difficult accomplishment these days. The media — the way it regards government and covers those who run for office — is partially responsible. The Vietnam War and the Watergate scandal exposed government as a liar, and those two events helped foster more aggressive media coverage of government and its decision-makers.

Yet, we need to think of leaders as somehow different from the rest of us. In some ways, there needs to be a certain mystical nature to those in authority, a charisma born partially of mystique. Charisma enthralls us, seduces us, gives us confidence. But an increasingly aggressive media places public figures under such an intensely detailed microscope that little is left unexposed.

"Where have all the heroes gone?" asked Republican state Senator John Seymour of Anaheim. "Our political leadership has been mostly good housekeepers and administrators. Why is this? Because we have a way of stripping people naked. The star quality, the knight on the white charger, is no longer there because the media has undressed him. As a result, they lose credibility, and without credibility you can't lead anyone. Your constituents won't believe in you."

There are other factors that help stifle effective leadership as well. Senator Garamendi, among others, laid part of the blame on those who run campaigns. Successful candidates, he noted, are homogenized creatures of political strategists who have no ideology and who do not care about issues. They, in fact, advise their candidates to shun strong views to avoid upsetting voters. If this is the formula for winning office, it is also the formula for retaining office.

Garamendi's argument was disputed by Jeff Raimundo, vice president

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of the Sacramento-based political consulting firm of Townsend & Company. Although agreeing that campaign managers manipulate the candidate's message, Raimundo said there must be a message — or vision — to manipulate. The campaign manager then casts the message in the most engaging way possible. Ultimately, he said, "The public votes for the person who best reflects the sensibilities and wishes of voters."

Pollster Mervin Field agreed with Garamendi, however, arguing that a campaign consultant's only goal is to win and that the advent of sophisticated computer technology has allowed strategists to tailor the messages to 40 different interest groups in order to harvest votes. "Politicians don't have to have any vision under these circumstances," said Field. "All they have to do is give in to the technology."

A final reason for the lack of leadership may best be summarized by a famous old quote from the original cartoon strip *Pogo*: "We have met the enemy, and he is us."

Society itself — its expectations, its attention span and its preoccupation with self-indulgence — more and more demands instant gratification, instant solutions. Hungry? Microwave a frozen bag of Beef Wellington or wander down to the nearest fast-food parlor. Bored? Blip through 60 cable channels or slide a copy of "Raiders of the Lost Ark" into your VCR. Patience is no longer a virtue; frustration levels are high. We see a problem, we want it solved. Now. We rally, for a time, around this issue or that issue: We embrace AIDS sufferers and the homeless; fret over contamination of groundwater, nuclear power and oil spills; wax indignant over illiteracy, assault rifles and traffic jams. We do this fretting and waxing and embracing for a speck of time, then move on.

The media contributes to this impatience by reducing major issues to small, disconnected bits of information. Here for an instant, gone in 15 seconds to be replaced by the next spasm of media chic. In-depth coverage is a segment of "60 Minutes." In this overheated atmosphere, it is difficult for leaders to capture the public's imagination, to hold its attention, to focus it on solutions that require critical thinking about where society should be in 100 years. In many ways, society itself refuses to be led.

But solutions cannot be produced overnight, and this creates a kind of surrender to the perceived enormity of the problems. "It's not satisfying to think that if we had the $20 billion needed for the highway program," said Chamber President Kirk West, "that between the time the money was approved and the highway opened is nine years."

Dynamic leadership is essential. The consequences of not having it are malaise and drift and a gradual ossification of public will.

"There won't be a catastrophe [if leadership never reemerges]," said Assemblyman Connelly. "But we will face incremental stagnation. It will put us at an increasing economic disadvantage with the rest of the world. If we don't educate our children properly, don't clean up our environment, don't have adequate public health, our standard of living doesn't compete."

"We're basically okay now," agreed Senator Kopp. "But we're a vast state, and if we don't continue to develop the support systems necessary to accommodate population increases in transportation, health and education, we'll hit a rock 10 years from now."

Society itself must provide the atmosphere for firm and resolute leadership to flourish. It must be more patient, more tolerant of diverse views, more accepting of its visionaries. It is incomprehensible to think that a modern politician would have fired Douglas MacArthur in 1989. He would first have taken a poll, then consulted his political gurus whose interests lay with the president's reelection and not with the Constitution.

Perhaps this is an overly harsh indictment but the greatest leaders of history — not the greatest politicians, but the greatest leaders — have been both idealists and pragmatists. From Alfred the Great of England to Bishop Tutu and Prime Minister Bhutto, they have been able to summon the inner courage to face the state and say, "Things must change;" and to face the masses and say, "Step by step."

A modern American politician with this kind of fortitude would be swept away by one side or another, or discouraged from the attempt for fear of losing whatever influence he or she already had. This is society's intolerance. Ultimately, it is society's failure if its potential leaders are too afraid to think broadly and vigorously about the kind of world its children will inherit.

Dynamic leadership is, by nature, reformist. Dynamic societies are those which continually reform themselves to keep pace with changing conditions. America itself did this throughout the 19th Century as it evolved from an agrarian to an industrial society, and during the first half of the 20th Century as it became a world power. But reform — not for the sake of reform but for the sake of a vibrant and lasting social fabric — has devolved into a kind of complacency where self importance has far outstripped communal importance in the American psyche, and this is the great danger of failed leadership.

"Consider this," said Tom Hayden. "Someone produced by the KGB in the Soviet Union [Mikhail Gorbachev] can seem like an ardent reformer compared with contemporary Western politicians. This should give us serious pause."

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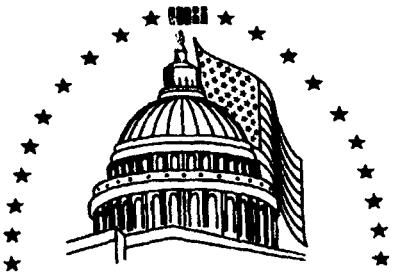

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Capitol press corps turns to green pastures

From reportage to flackery

By Ann Bancroft

It's touted as one of the best jobs in journalism — a plum for political reporters coveted in city rooms up and down the state. So why are so many respected members of the Capitol press corps moving on, several of them leaping to "the other side" and becoming "flacks" or campaign consultants?

In greater numbers than usual, ex-Capitol reporters are churning out and delivering press releases, opting to stay at home with kids, taking a stab at running their own businesses or getting out of the daily news grind to work for magazines:

- **Bob Schmidt** left the *Long Beach Press Telegram*'s one-man Capitol bureau after 22 years last August to work in Sacramento for Burlingame political campaign consultants Woodward & McDowell.
- **Steve Wiegand** hung up his fish ties and left the *San Francisco Chronicle* bureau last Labor Day to work for Bobbe Metzger at the political public-relations firm of Stoorza, Ziegaus & Metzger. After six months, he went back to reporting in the *Sacramento Bee*'s newsroom.
- After KRON-TV closed its Capitol bureau last November, producer **Don Fields** started his own "satellite flak" firm, RF Communications. Reporter **Ginger Rutland**, Fields' wife, went to work as an editorial writer for the *Sacramento Bee*.
- **Bill Packer** left the Los Angeles *Daily News* Capitol bureau in June 1988, worked for the Proposition 104 no-fault insurance campaign, then started his own public-relations firm.
- **Jeff Raimundo** quit the *Sacramento Bee* Capitol bureau two years ago and, after 23 years in journalism, went to work for Townsend & Company, a political campaign and public-relations firm.
- *Sacramento Bee* reporter **Jim Lewis**, who spent nine years in the newspaper's Capitol bureau and another two writing special projects involving public-policy issues, took a job with the Assembly Office of Research this year.

Ann Bancroft, once a reporter in the Capitol bureau of the San Francisco Chronicle *and for United Press International, now is a freelance writer living in Sacramento.*

Drawing by Judy Sava

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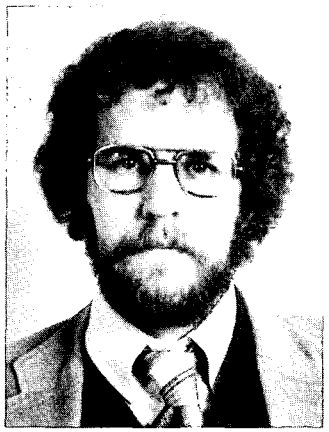
Schmidt


Wiegand

Packer

Raimundo

• **Claudia Buck**, a feature writer in the *Sacramento Bee* Capitol bureau until 1987, decided after the birth of her second child to stay at home and do only freelance work until both children are in school.

It may be just a "blip" rather than a trend, but the movement out of reporters' cubbies in the Park Executive Building and into executive suites and home offices is likely to continue, says one ex-newsie happy to have made the switch. Raimundo, who said he took merciless heat from ex-colleagues when he went to work for Townsend, says the attitude among reporters has become "increasingly tolerant" towards those who leave the business.

"It's increasingly tolerant because more and more of them are jumping over with me," Raimundo said. "And you cannot believe the number of people either asking outright for jobs or going to lunch and saying, 'I'm thinking of making the same move — what advice do you have?'"

"You literally burn out," at some point covering the Capitol, Raimundo theorizes. "Willie Brown, George Deukmejian and David Roberti have established a pattern of relationship that has repeated itself for seven years now. There's no change, it's constant and it's boring."

There has always been movement between the press corps and the government it covers. Both Senate President pro Tem David Roberti and Assembly Speaker Willie Brown, for example, employ former reporters as press secretaries. Robert Forsythe, once a *Sacramento Bee* reporter, works for

Rutland

Fields

Roberti while Susan Jetton, formerly with the *San Diego Union*, works for Brown.

But the expansion of political public-relations firms in Sacramento pushing legislation and working on initiatives has created a widening employment niche for people with contacts in the press and at the Capitol. And except for those struggling to start their own businesses, those who have made the leap immediately enjoy much higher salaries.

Raimundo, Schmidt, Packer and Wiegand all moved to jobs that relied heavily on their reporting skills and Capitol acquaintanceships built up over the years.

Schmidt, who represented trial lawyers in the insurance initiative wars last fall and more recently has worked for Attorney General John Van de Kamp in efforts to ban assault weapons, says much of what he does now is reminiscent of his 30-year reporting career: taking notes at legislative hearings, sitting at his computer and making phone calls,

To those who treat leaving the press corps as if it were leaving the priesthood, Wiegand says, "Baloney."

schmoozing in Capitol hallways.

"One of my values to the company is that I know so many people at the Capitol, so I try almost every day to go down and wander around in the building," collecting information on issues that may spark initiative campaigns, looking for clients.

Schmidt said he left the newspaper partly because "I think I'd become a neanderthal. How I wanted to cover a government beat is not how newspapers want government to be covered these days. I wanted to write about the process ... a kind of civics point of view — 'here's how it works'."

Editors, he said, increasingly want coverage reflecting the attitude: "There's evil out there — go out and find it."

"The job hadn't become stale at all," stressed Schmidt, who remained as enthusiastic about reporting as his rookie colleagues. "It was just that I had turned 60 years old, and here was a chance to make a bunch of money."

Money just wasn't enough to keep Wiegand out of the news business. Burned out after 10 years in the *Chronicle*'s two-reporter bureau, Wiegand said he actually looked forward to putting on a business suit for the first time in his adult life when he went to work for Metzger, a friend of many years. (He never did wear hard shoes, but the black Adidas with suits nearly passed flack muster.)

"I knew the second day I didn't want to do it," he said. Outlining his first press release, for Proposition 100, Wiegand automatically wrote, "opposing side here" and realized only

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Lewis

Buck

as he was typing the final draft, "I didn't actually have to call these people."

The understanding on the new job was that he'd be assigned almost solely to writing, Wiegand said, and "wouldn't be glad-handing and going to lunches and meetings and things" — the type of client-pampering activities he would loathe. But as a writer, he found, "you had to subordinate your own style. You couldn't be funny, you couldn't be smart-alecky, and that's what I do best. And even when I agreed with the premise, I didn't like having the arguments said for me. I found myself wanting to balance things, like saying, 'On the other hand, the other side does have a good point.'"

While Wiegand chafed at such limitations, others who have left reporting relish their new freedom to openly take sides on public policy issues.

"It was a very liberating experience," Raimundo said. He represented Sutter County Sheriff Roy Whiteaker, a Democrat, in his unsuccessful effort to unseat Republican Senator John Doolittle of Rocklin. Raimundo did not accept a fee, he said, because "It was a chance politically to do something for someone I believed in."

Former press corps colleagues roundly teased and criticized Raimundo when he took on as a client the tobacco industry in the fight against the cigarette tax initiative, Proposition 99.

"I think they were terribly biased, and wouldn't even listen to the arguments," Raimundo now says.

Raimundo, now a part owner and vice president of Townsend & Company, says it is "fun coming up with political strategies for trying to outflank the other side in a given issue. You do toil more anonymously, but even as a newspaper reporter — who looks at the byline other than your mother and your colleagues?"

Like Raimundo, Packer also takes friendly flack from former colleagues when he does the press corps rounds on behalf of his client, the Association of California Insurance Companies. But he says he enjoys the challenge of running his own business, becoming actively involved in developing political strategies and doing volunteer community press work.

"I did not join any organizations, sign petitions, anything like that as a reporter," Packer said. "Now I find I can do those kinds of things."

Fields puts in long hours at his Curtis Park home office, where he works with a computer and fax machine, and produces sophisticated video press releases for both public-interest and business clients. Although he misses reporting,

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Fields said, "It's nice to be working on public policy issues and not have to walk into the Capitol every day."

The press has criticized the use of such high-tech public-relations services by lawmakers who feed "canned" video releases by satellite to stations in their district. Fields contends local newspapers have for years relied on less-sophisticated print releases to help form their news stories, and that allowing local television stations to do the same is a positive development.

> "It's nice to be working on public-policy issues and not have to walk into the Capitol every day."
> — Don Fields

Former *Bee* reporter Lewis says his new job with the Assembly Office of Research allows him to use his investigative reporting skills and contacts to oversee public agencies in more depth for the Legislature.

"You get the opportunity to be creative," Lewis said. "The press is primarily involved in reporting on the bad side of things, or things that don't work right. Even though this job will involve oversight, if you're going to go out there and look over some of the problems, then I think as part of government you have an obligation to propose some creative remedies. That, I think, is probably going to be the greatest challenge, and the most fun."

Buck, the only reporter interviewed who left Capitol-related work altogether, said she "agonized" for a year before deciding not to return to a job she loved in favor of staying home with her 5-year-old daughter and 2-year-old son.

"I was not one of those women who want to do it all," she said. "And as wonderful as it is to have a choice [whether or not to stay at home], it's very tough to make it. Now I miss covering the Capitol, but I wouldn't trade it for what I'm doing. I don't feel short-changed."

She's done some copy writing for her husband, graphic designer Paul Page — work she describes as "one-sided pitching; advocacy, really" — and much prefers news reporting.

"I think some people are born to do that sort of thing [public relations]," theorizes Wiegand. "Some people can make the transition, some can't. In my case, the job was fine, the money was good, the hours were relatively decent, I had my own office and all the fringe benefits I wanted ... but I'd get to work and after about an hour think, 'God, I wish I wasn't doing this.'"

To those who treat leaving the press corps as if it were leaving the priesthood, Wiegand says, "baloney."

"People would ask me, 'How do you like it in private enterprise?' I mean, newspapers are private enterprise. I didn't have any feeling that I was tainted by going in and got cleansed by getting out. It's just that I have more fun doing what I do now," says Wiegand, who covers the Sacramento Municipal Utility District and woes at the utility's Rancho Seco nuclear power plant.

"There's that certain thrill you get when you call up somebody in trouble and say, 'Hi, I'm a reporter,'" Wiegand said with a grin. "I'd rather be the hunter than the prey."

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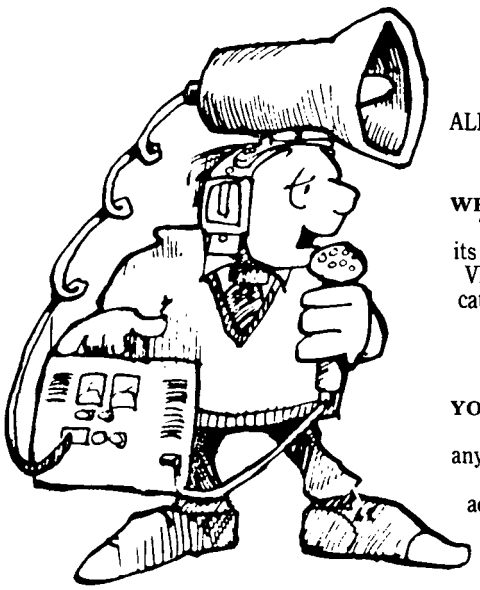

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A gorilla on the move

State's pension funds flex their clout

By Greg Lucas

Who owns corporate America?

A hefty chunk is owned by California's school teachers, bus drivers and custodians, and the employees of state and local government. So why are they slogging through nine-to-five jobs and not sitting at home clipping bond coupons?

Because the money is stashed away in retirement funds where they can't get it but where it makes them, at least by proxy, major investors in America's stocks and bonds.

California's Public Employees Retirement System (PERS) is the largest public-pension fund in the country, with assets of $50 billion. At about half its size — with $26 billion in assets — is the State Teachers Retirement System (STRS), which ranks as the third biggest public-pension fund in the country.

Together, the two funds take in between $500 million and $700 million a month which they, in turn, invest. In PERS approximately 86 percent of its $50 billion is invested in United States stocks and bonds. The teachers' retirement system has a slightly higher percentage. That translates into some major clout.

"The gorilla goes where he wants to go," says Tom Flanigan, chief investment officer for STRS. "California is already a major force in the market but we'll be the biggest."

Flanigan predicts that in 11 years the two funds will be managing anywhere from $150 to $200 billion. The funds serve some 15 million Californians. Their employers — school districts and state and local governments — pay into the funds along with the employee. The two funds pay out pension benefits to retired employees and invest the rest.

But the way these two pension funds do business bears no resemblance to the stodgy, hyper-cautious practices of yesteryear's widows-and-orphans accounts. PERS and STRS are using their muscle as major stockholders to get companies to change the way they do business. At the same time, they have been ordered to sell off all their interests in companies that do business in South Africa by the end of 1990.

They also are branching out into international investments. PERS is committed to investing some $4 billion overseas. Flanigan said STRS anticipates committing as much as $3 billion when its international program gets under way late this year. And both funds will soon be dipping their toes into the treacherous waters of leveraged buyouts and venture-capital financing.

All of this is good, investment managers and several of the funds' board members say, because it fosters diversity. Diversity is the magic word — the religion for the two funds.

"You have to be diversified to maximize your returns and limit your risk," says Jim Mosman, the executive officer for STRS.

The investment teams of both funds do a lot of strategic planning. They look at economic indicators, past performance and earnings trends and then set rough guidelines for the mix of their assets. At the moment, PERS concentrates 43 percent of its investments in stocks, 43 percent in bonds, 7 percent in cash and 6 percent in real estate. The remaining 2 percent is invested in international stocks and bonds, but that percentage is slated to increase. That's about $21.5 billion in United States stocks and the same for domestic bonds. With investments of that size comes enormous power, power the pension funds are starting to exercise.

The teachers' fund pegs its stock-market investments to Standard and Poor's list of 500 heavyweight companies. The amount invested in each parallels the company's position on the list. The stronger the company, the bigger the investment.

Continued on next page

Greg Lucas is Capitol correspondent for the San Francisco Examiner.

Graphic by Diane and Ray Mills

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Those huge blocks of shares — coupled with the funds' long-term strategy of holding the stocks for 10 years or more — makes the funds very important shareholders. In the past, if PERS or STRS didn't like what a company was doing, they simply sold their stock.

But that doesn't work any more.

"We cannot do the Wall Street walk," says Jim Burton, who represents Controller Gray Davis on the PERS and STRS boards. "We own $22 billion worth of stock in 1500 companies. You just don't walk in and out of positions like that."

So now, when they're unhappy, the funds look for ways to use their block of stock as leverage to force a company's board of directors to solve the problem.

Take Exxon. PERS owns eight million shares of Exxon. STRS owns five-and-a-half million shares of Exxon. Davis recently made a motion asking PERS to vote against Exxon's management at the corporation's May 18th annual meeting because of the Alaskan oil spill. Davis backed the successful efforts by New York City Controller Jay Goldin who, backed by the large number shares owned by New York's pension funds, convinced Exxon's management to name a director with an environmental background to Exxon's board and devote more money to developing better oil-spill clean-up techniques.

But there are plenty of less-dramatic examples of where the funds are impacting corporate governance. PERS, one of the most activist pension funds in the country, has a variety of shareholder resolutions pending before a half-dozen of the companies in which it owns stock. At Avon, for example, PERS has a resolution asking the board of directors to let shareholders vote on a poison-pill clause the board wants in order to protect against hostile takeovers. PERS succeeded in convincing Continental Corp and First Interstate Bancorp to institute confidential shareholder voting. And STRS has asked for a shareholder vote on Dow Chemical's golden-parachute plan, which rewards current management when the company is taken over. These actions are all taken to ensure the best return for shareholders, Davis and the investment managers for the funds say.

"The right to vote on poison pills should make the potential for a profitable offer being presented to the company more probable," says DeWitt Bowman, PERS chief investment manager. "Secret voting is perhaps not quite as direct an action. But the feeling is the value of a share is to some extent tied up in shareholder rights. When those rights are eroded, it reduces the value of the holding."

These actions tend to be more reactive than proactive, Mosman says. "We're not interested in telling a corporation how to manage its day-to-day operations. We're just saying the boards have got to pay more attention to the general interest of the shareholders."

Adding to the clout of the California pension funds is the Council of Institutional Investors, established by the late Jesse Unruh when he was state treasurer. Composed of more than 60 public and labor-union pension funds from all over the country, the council provides a forum where the pension funds can discuss mutual interests and create consensus policies on investing, says Davis, who co-chairs the body.

"Corporate America is well aware of the council," Davis says. "It initially feared us but now more and more corporations see it as a constructive body that wants to maximize corporate profits, not just make mischief."

The greatest advantage of the council is that when the pension funds want to speak with one voice, they can do so.

"Without forums like the council, pension funds could well be just a bunch of individual retirees that can't really make an impact on management," Davis says.

The council has authored a "Shareholder's Bill of Rights" and meets regularly with various companies to try to convince management to institute some of the policies in that document, like secret voting.

Beyond corporate governance, PERS and STRS both do a healthy amount of "social investing," such as divestiture of all holdings in companies that do business in South Africa. Short of divestiture, both funds are pushing companies that do business in Northern Ireland to champion affirmative-action programs that guarantee against religious discrimination.

"The caveat is that the social-investing principle is supposed to be secondary to the fiduciary concern," Mosman says. "We should not do anything injurious to the assets of the system. Obviously, there are some gray areas."

The jury is still out on how divestiture will affect the two funds. When the bill ordering the two funds to sell off stocks in businesses that operate in South Africa was signed into law in 1987, such holdings represented about $2.2 billion for STRS and $2.3 billion for PERS. So far it has been fairly easy for the two funds to divest, since companies such as Hewlett-Packard, Mobil and Ford Motor have sold off their interests in South Africa.

Right now, STRS owns stock in 42 companies doing business in South Africa at a value of $703 million. As of March, PERS owned stock in such companies totaling $1.3 billion. Managers are fairly confident the divestiture won't have much of an impact, largely because as soon as corporations leave South Africa or sell their subsidiaries there, the funds can buy their stock again.

But the focus of most legislative and policy attention on the funds is their investment strategies. There are almost as many different opinions on how the billions should be invested as there are members of the PERS and STRS boards.

When the stock market plummeted 508 points in October 1987, the two funds lost $7.6 billion between them — on paper. That's $350,000-a-second, as Democrat Dave Elder of Long Beach, chairman of the Assembly Public Employees, Retirement and Social Security Committee, is fond of pointing out. Shrewd investing wiped out the losses and helped the funds post earnings gains at the end of the year, but the size of the loss prompted howls — particularly from Elder. Elder wants the funds out of stocks and into tangible investments, like real estate.

"I like to kick the tires," Elder says.

Treasurer Tom Hayes, another trustee for both funds, and Davis favor real estate, too. "I personally like real estate," says Hayes. "It's long-term and it's very stable — especially California."

Elder remains violently opposed to foreign investment. "We're helping economies that are competing with us for jobs," he says. "It's destructive to the nation and the state."

Davis and Hayes are more flexible.

"We are rapidly becoming a global economy where there are U.S. interests throughout the world and foreign interests throughout the United States," Hayes says. "So we can't just stick our head in the sand and invest only domestic."

Opposition to foreign investment "flies in the face of all modern portfolio theory," says Jim Burton, a deputy to Davis who often represents him on the PERS and STRS boards.

Not surprisingly, the investment managers for the two funds are the highest on international investment, saying it's just another example of greater diversity and a chance to reap

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some better returns than can be garnered domestically. And, the fund managers stress, they are exercising due care in choosing foreign investments.

Bowman says PERS will invest only in bonds issued by countries, not foreign businesses. And they are moving slowly because of the language barriers and the lack of disclosure requirements overseas and oversight like the Securities and Exchange Commission.

Even when both foreign investment programs are in full swing, the goal of each fund is to invest roughly the same amount of money overseas as it does in real estate — about 10 percent of total assets.

Usually the real-estate holdings are in vast mortgage programs like Fannie Mae, the federal home-mortgage loan program, but PERS is now branching out into more tangible holdings. PERS owns its Sacramento offices and helped finance construction. Another parcel of land PERS owns on N and 5th Streets not far from the state Capitol will be developed into an 18-story office building. Burton says now the move at PERS is to go into more "niche" real-estate investments like buying apartment buildings, timberland and becoming partners in joint developments.

Once the international investment gets going, the funds plan to start dabbling in venture capital and leveraged buyouts. Other pension funds were key players in the R.J. Reynolds attempt to take over Nabisco, and California is now looking for a piece of the action.

As with foreign investment, the funds are going about it in a fairly prudent way. PERS is devoting only 2 percent of its assets to such deals and so far has made none of them. STRS also plans on getting into the leveraged-buyout business but will do so only in so-called "friendly" takeovers, Mosman says.

There are some problems looming — particularly at STRS. STRS' problem stems from the main difference between the funds — only PERS has the power to adjust contribution rates up or down to compensate for higher or lower earnings from the investments. The STRS contribution level is set — and likely to remain unchanged. That means that, over time, incoming revenues will not be enough to cover the costs of paying benefits to pensioners. Already, the fund is $11 billion short of what it estimates is needed to cover those future costs.

State lawmakers are reluctant to grant STRS the power to adjust because the likely target for increased contributions would be school districts. By increasing the money local districts pay, the state is inflicting a mandate — and the cost of the increases would be borne by the state.

Similarly, PERS has two separate retirement funds it administers for legislators and judges. Both have unfunded liabilities. The legislators' fund was about $13 million at the close of the 1986-87 fiscal year. The judges' have an unfunded liability of $764 million. Each year, the judges' system must tap the state's general fund to meet its retirement pay-outs. Last year it needed $14.5 million. This year the tab is $17.2 million. But no one is too worried about the unfunded liability in Sacramento.

"We don't put on lifejackets until 20 seconds before we hit the water," says Elder.

The funds themselves are fearful of the federal government, which is casting about for ways to reduce its mammoth deficit. To the feds, pension funds are islands of untapped taxability in a sea of red ink. No solid move is formally afoot to begin taxing the giant funds but they are very attractive targets.

"It would not be catastrophic to tax pension funds," Burton says. "But it would be extremely short-sighted. The federal government should be encouraging pension systems to be what they should be — the salvation of many Americans when Social Security falls apart."

And another issue for lawmakers to tussle with is PERS' barely-restrained desire to be free from the constraints of state government. Hiring and salary rules in civil service prevent the fund from keeping some of its best investment managers, Bowman says.

The board recently was asked to approve a report to the Legislature that detailed the myriad of advantages of freeing PERS from the oversight of state government entities like the controller's office. The report also highlighted how freedom from state control would protect the fund from the budget battles between Governor George Deukmejian and legislative Democrats where each year it is invariably suggested that some of the funds' vast resources be used to "temporarily" ease the state's fiscal woes.

Freedom from state control doesn't set well with Davis. "I believe the retirees are better served by having the benefit of the state's control agencies," he says. "Last year we uncovered a $200 million error PERS was about to make."

The board rejected the report on a 7-6 vote and ordered the staff to rework the document, striking reference to independence, before sending it to the Legislature.

But these are just small things, the PERS and STRS investors say. The funds are strong and getting stronger. A year from now, Bowman says, PERS will be investing $55 billion.

And as they grow their power will grow apace.

"By the year 2000, pension funds will represent the majority of shareholders in America," Davis says. "We're already an enormous force, and we'll be a giant by the turn of the century."

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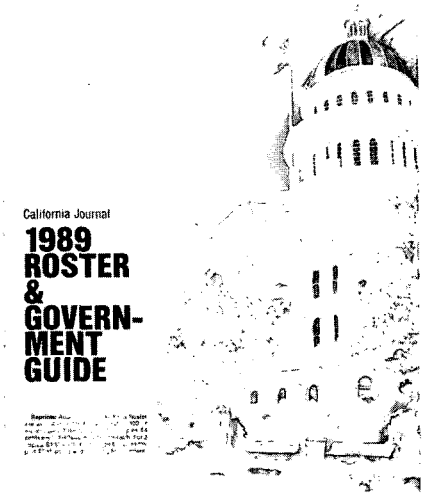

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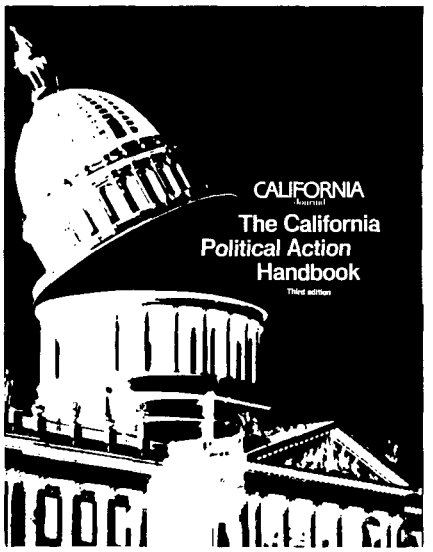

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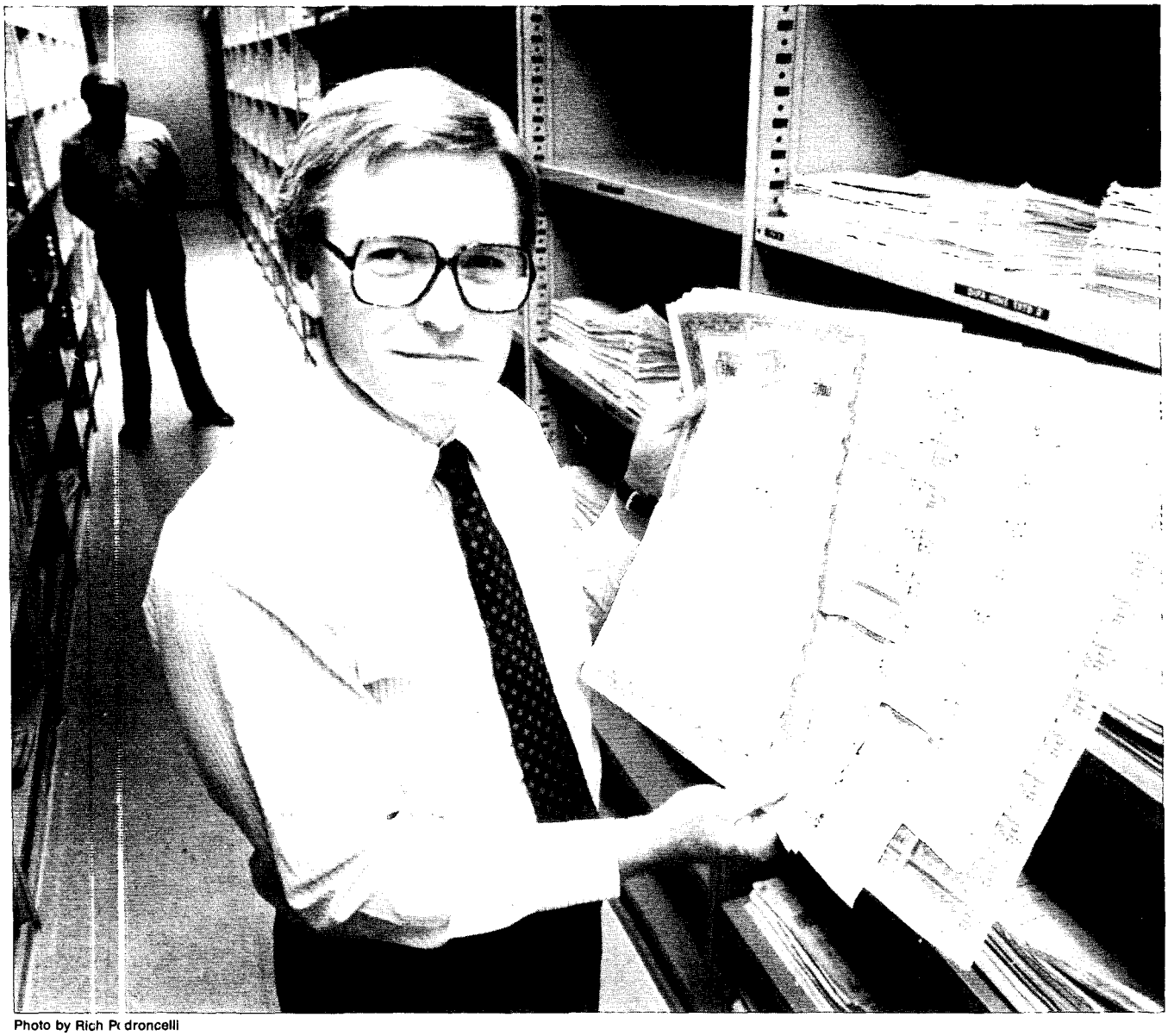

Photo by Rich Pedroncelli

Can Tom Hayes become Mr. Republican?

By Richard Zeiger

For ten years as auditor general, Thomas W. Hayes did the right thing: He refrained from registering with any political party. He wanted to avoid even the appearance that he might be taking sides when his office performed its task of reviewing the efficiency of various state programs. But, as the saying goes, no good deed goes unpunished, and Hayes may now pay the price for his decision.

Now Hayes, who was Governor George Deukmejian's second choice to become California's 27th treasurer, must prove he is a good enough Republican to warrant his party's nomination for a full term in that office. He was appointed to fill out the term of the late Jesse Unruh, the former Democratic assembly speaker who died shortly after being elected to his fourth term as treasurer.

On the surface, of course, he has what it takes. He promptly re-registered in the party that, he says, had his loyalty all the while. And, of course, there is the endorsement by the party's leader, Governor George Deukmejian. He is a fiscal conservative and has the right position on virtually all the "hot button" Republican issues, like abortion.

But standing in his way is a woman with unassailable conservative Republican credentials — Angela "Bay" Buchanan, former treasurer of the United States who at 30 was the national

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treasurer of Ronald Reagan's first presidential campaign, and sister of conservative political commentator Patrick Buchanan. Her pitch is simple: "There is no reason for conservatives to mount a campaign on behalf of Tom Hayes. He never lifted a finger for the movement."

Her entrance into the race promises to rekindle old divisions within the Republican Party between the "country club," business-oriented pragmatic wing, and "true-believer," grass-roots conservatives. The two groups in recent years joined forces around Ronald Reagan and George Deukmejian. Differences also apparently were put aside so that Republicans could rally around Pete Wilson's bid to be Deukmejian's replacement.

The national news media already thinks Buchanan is a winner, although she has described herself as the underdog in the contest. The media's reaction could be due in part to her anticipated ability to raise money nationally and in part because the press would like to see a contest between Buchanan and Kathleen Brown, the sister and daughter, respectively, of former governors Jerry and Pat Brown. Brown is the leading contender for the Democratic nomination for treasurer.

Buchanan's entry into the race creates something of a dilemma for Hayes, who wanted to run against his Democratic opponent as a non-partisan expert on state fiscal matters. But conventional wisdom holds that you can't lose a Republican primary in California by running too far to the right, and Hayes may now have to take on a more partisan cast than he would like in order to woo rank-and-file party members suspicious of his sudden jump over office-holders with long credentials.

Hayes, of course, isn't responsible for the predicament. In fact, until late last year, he had never given thought to becoming state treasurer, or any other sort of elected official.

But Governor Deukmejian was rebuffed in his original choice of Long Beach Congressman Dan Lungren for the job by the state Senate, which decided that Lungren was just too partisan, too conservative and perhaps too attractive a candidate to be given the job. The Senate alone rejected Lungren's nomination, and the state Supreme Court, despite Deukmejian's protest that both houses had to act against Lungren, said that the Senate vote was enough to deny the congressman the job. The governor didn't want to be beaten again.

In Hayes, he found the perfect choice. As auditor general, Hayes was an appointee of the Legislature and already had their confidence. Democrats would have a hard time coming up with a reason to vote against him, and although some Republicans in the Legislature grumbled that the governor had not picked someone with better Republican credentials, they had little choice but to rally around their governor, who at that point they still thought might seek a third term. Hayes, 43, promptly said that he would re-register as a Republican and would seek a full term in the 1990 elections.

The call from Deukmejian, he said, came out of the blue. He had not been angling for the job and never had given it any thought. But last September 8th, a Thursday, he got a call from Deukmejian chief of staff Michael Frost asking him if he would stop by for a chat with the governor the next Monday. "He called me on Tuesday night and asked me if I wanted the job. I'd talked it over extensively with my family by then and I said, 'Yes.' On Thursday it was announced to the press.

"I never asked for the job. But I also feel that the way democracy functions, when you're asked to step up to the plate, you do it."

One of his first acts as treasurer was to fire acting Treasurer Elizabeth Whitney, who was a holdover appointment made by Unruh and who had maneuvered to keep herself on the job by trying to derail Hayes' appointment. She was replaced with B.T. Collins, a vice president at the brokerage firm of Kidder, Peabody whose acerbic wit and

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Buchanan

Brown

status as one-time chief of staff to former Governor Jerry Brown makes him a favorite on the Capitol banquet circuit. He also brought in several career finance officers, including Susanne Morgan Burton, who has served in the Finance Department for both Deukmejian and Jerry Brown. As his press representative, he hired away from Deukmejian's press office Donna Lipper Lucas, who was the most-respected member of the Deukmejian media team.

Hayes also moved quickly to downplay politics in the office. Where Unruh was viewed as playing favorites with brokerage firms, handpicking the ones that would underwrite state bonds, Hayes established a procedure for taking proposals from all eligible firms, a practice he says cut the state's cost of issuing new bonds and one he has asked be put into state law. He has pushed the office to include more firms owned by minorities and women among those that do business with the state, including publishing of an ad in the *Wall Street Journal* urging these firms to apply for state business. At the same time, he has insisted that these firms meet the same standards as other companies. He also began a more hands-on approach to the day-to-day operations of the treasurer's office.

It is not uncommon, for example, to find him in the office at 7 a.m. during the week to help make the daily decisions on how to invest the $19 billion or so that is kept in the state's pooled money investment account. This is the idle cash from various state funds and from any local government entity that wants to participate.

On a morning last month, Hayes was on the phone along with the rest of his team trying to convince bond brokers to give the state an extra hundredth of a percentage point or so on some $402 million in cash the state had to invest that day.

Hayes believes that brokers are more responsive and give the state a better deal because the treasurer himself is on the telephone. And if he can wheedle an extra hundredth of a point every few days, he can easily gain the state enough extra cash to pay his $72,500-per-year salary.

"The first time I did this, I picked up the phone and said, 'Tom Hayes here.' And the woman on the other end said, 'Yeh, Margaret Thatcher here.' She just didn't believe it," Hayes said.

But the disbelief expressed by that bond broker is probably mild compared to the widespread disbelief in the political community about Hayes' ability to withstand the challenge of both Buchanan and Brown. Although admired for his technical abilities, Hayes has no political experience. He's given lots of speeches in the past, but few to political audiences. In large part, he's turned handling of his political future over to the Deukmejian political operation. Los Angeles Attorney Karl Samulian, Deukmejian's fund-raiser, will be raising money for Hayes, and he is getting political advice from former Deukmejian chief of staff Steve Merksamer and former press secretary Larry Thomas.

Buchanan intends to push hard on Hayes' political inexperience and on what she says is a lack of enthusiasm among conservatives for his candidacy. Those factors together will make it difficult for Hayes to beat Kathleen Brown in the Fall, Buchanan maintains.

"Why should I sit back and let her have a good shot at the job," said Buchanan. "In order to win in California, you need to have the support of conservative voters. I can give them something to get excited about."

She discounts complaints that her entry into the contest will revive old divisions, noting that, "To say we shouldn't have primaries because they are divisive is absurd. I have every right to run."

She also says she plans to make her conservative philosophy a key part of the contest; that just being a financial manager is not enough.

"The public has a right to know your philosophy. I believe it is a policy position. You have a responsibility to the people of California to be responsive to their fiscal concerns. If there is an issue in Sacramento that involves financial affairs, I will be involved. The job entails a great deal more than financial management; that's only one side of the job," Buchanan said.

But if Hayes is to win, he will probably have to do it as something of an anti-politician. Instead, he portrays himself as a manager, who will do his best to wisely invest the state's money.

"I think the people of the state of California are ready for someone who is trained for, and has shown a genuine interest in managing their money. I think good government is good politics. If you expect to see Tom Hayes change and go do things I've never done before, you're going to be sadly mistaken."

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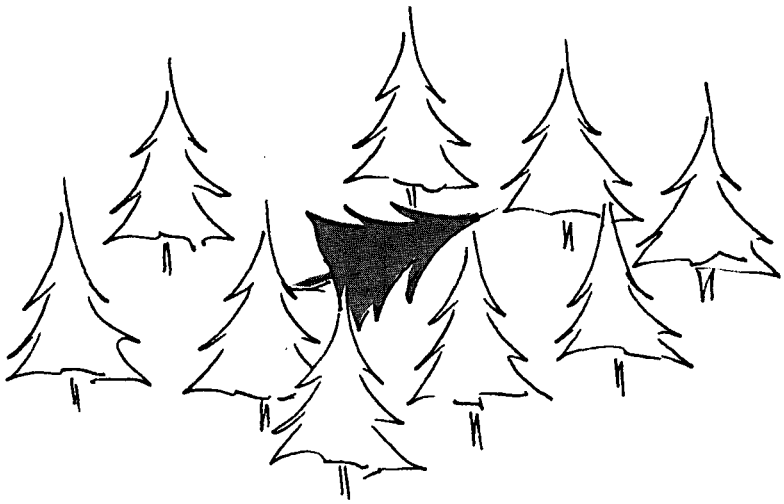

A tree falls in the forest

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Although he has yet to face any real political challenges, he's adroitly handled the first few political problems he faced, including the question of whether or not the state ended the last fiscal year in the black. Only Deukmejain's Finance Department, among five state agencies, came up with that opinion. Among those who said the state failed to balance it's budget, as required by the state Constitution, was Kurt Sjoberg, the acting auditor general and Hayes' chief deputy when he was in that post. It was an odd debate because it featured liberal Democrats in the Legislature arguing that the budget had been in the red, a point that meant the state would start its upcoming fiscal year with less money which would mean more cuts in state programs, and conservative governor claiming the state, in fact, could spend more in the next budget round. Deukmejian asked the Commission on State Finance, headed by Hayes, to arbitrate the dispute, although its recommendation has no practical effect. The commission sided, on a party-line vote, with the governor. But Hayes managed to sound convincing when he argued against his own former deputy and in favor of his new political mentor.

"You'll find the people of California, the real voters, Republicans and Democrats, feel very strongly about what's going on with their money. And on the merits, I win."

While Buchanan will attempt to turn the primary into a test of who has been the better Republican, Hayes wants the discussion to revolve around qualifications to be state treasurer. And on those grounds, Hayes maintains he is clearly the best candidate. Even though Buchanan can boast of being former U.S. treasurer and may even seek to have that designation under her name on the ballot, Hayes notes that that office doesn't borrow money or invest money, the key tasks of the state treasurer. "The people of California are smart enough to know that," he adds.

The experience argument, he believes, will appeal to Republicans in a primary. His activities as auditor general — trying to make government "smaller and more efficient" — are "the cornerstone of the Republican philosophy," Hayes adds. "I spent 10 years as the cop at the Capitol and issued reports that saved the state more than $400 million."

"What's more Republican than that?"

"My philosophy is clearly Republican, but my emphasis is money management."

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Playing for time

Campaigns massage the "fairness doctrine"

By Charles Price

The battle over California's lottery initiative (Proposition 37) was a typical big-spending campaign that raged throughout the Fall of 1984 and featured two relatively wealthy opponents: Scientific Games of Georgia, makers of scratch-off lottery tickets, and the state's horse-racing industry. Scientific Games and its allies spent nearly $1.4 million dollars; the horse tracks and friends poured up $3.4 million.

However, the campaign was unique in one respect: Despite well-financed efforts, each combatant also received free commercial air time from radio and television stations. Each side benefited from the Federal Communications Commission's "fairness doctrine," a policy created to ensure that television and radio stations allow both sides of an issue access to public airways which the stations have been licensed to use.

Pro-lottery forces were the first to apply for free time when they unexpectedly ran out of cash after Scientific Games decided to stop funding the campaign. Given the amount of money already spent to promote the measure, the request for free time was silly, noted Leo McElroy, a Sacramento public-relations specialist who was a consultant to the anti-lottery committee. However, the request was granted by a number of California broadcasters. Not to be outdone, McElroy said that he, too, requested and received free air time on behalf of one of the anti-lottery committees, a church group with no media budget.

Giving valuable air time to well-financed campaigns may seem strange, but inconsistency has become the norm among those who seek to use the so-called fairness doctrine for political advantage. And the situation has become even more muddled because the existence of the doctrine itself has come into question. Some broadcasters say it still exists, but only on a few issues. Others in the industry claim the doctrine doesn't exist at all, but most of these still give away air time anyway.

Continued on next page

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The fairness doctrine has been a feature of the American political landscape since 1949 when the Federal Communications Commission (FCC) required broadcasters "to afford reasonable opportunity for conflicting views on issues of public importance." The policy applies only to broadcast media, not to print media because broadcasters, courts have ruled, use public airways and can therefore be regulated in the public interest. In 1967 the FCC, acting on an appeal from an anti-cigarette activist, was persuaded to apply its fairness doctrine to cigarette commercials. Stations that ran tobacco commercials were required to provide "a significant amount of time for the other viewpoint." That policy continued until 1971 when cigarette ads were banned from radio and television.

Over the years, many broadcasters have criticized the fairness doctrine, contending it violates free speech and free press guarantees contained in the First Amendment. But with broadcast advertising playing such an important role in California elections, the quest for free compensatory air time remains an important factor in campaign strategies.

In most controversial California initiative campaigns proponents and opponents have sufficient money to buy some broadcast time although, on occasion, one side has substantially more money to spend on broadcast media than does its opposition. However, if one side has *no* money for radio or television ads, that side can request, and expect to receive from most stations, a certain amount of free time based on the fairness doctrine.

Prior to 1974 most stations used a "total time" criterion to determine how to allocate air time under the fairness doctrine. Most often the ratio was three-to-one — three minutes of paid advocacy had to be balanced by one minute of free time, frequently in the form of public-affairs programs. But in 1974, during the oil shortage and on-going debates over energy rates in California, anti-nuclear activists complained to the FCC that the free time they received on early morning public-affairs programs could not counter the paid pro-nuclear campaign being waged by Pacific Gas and Electric. The commission agreed and ruled that stations henceforth would have to consider frequency, audience size and prime-time scheduling, not simply "total time," when providing free time to initiative activists without financial resources.

Through the 1970s and 1980s the fairness doctrine was an important factor in helping counter big-spending campaigns waged by powerful special interests. As a result, "big bucks" do not guarantee a victory in initiative elections (see "Afloat in a sea of cash," *CJ*, November 1988). The fairness doctrine has been, according to Kelly Kimball, president of Kimball Petition Management, "a great service for grassroots people who are able to get their measure on the ballot. It's the only vehicle around to get their message across."

But with Ronald Reagan in the White House, enforcement of the fairness doctrine began to erode. Reagan appointed new FCC commissioners who shared his abhorrence of intrusive government regulation. These commissioners argued that the doctrine, in fact, did not serve the public interest since many broadcasters simply ignored controversial issues rather than risk having to give away valuable air time to any group that demanded it.

Poor groups may be inclined to spend their budgets on non-media items and then request free time from broadcasters.

In an attempt to save the doctrine, Congress passed legislation in early 1987 to make the policy law. However, Reagan vetoed the bill in June 1987. Later that year the Reagan-dominated FCC in *Syracuse Peace Council v. WTVH (TV)* suspended enforcement of the fairness doctrine in most situations, arguing "the traditional justification for the doctrine no longer exists." The fairness doctrine, they ruled, has an impermissible "chilling" effect on the discussion of controversial issues. And in February 1989 a federal appeals court ruled that the FCC had the legal authority to repeal the fairness doctrine.

The FCC's ruling applied to the handling of controversial public issues and did not specifically eliminate the fairness doctrine as it applied to election-related programming involving candidates or ballot issues. Some legal experts argued that the *Syracuse* decision was sufficiently broad to include ballot issues, too. Thus stations in 1988 election campaigns would no longer have to provide free time to the no-money side. Others, including Corey Brown, general counsel for the California Planning and Conservation League, argued that the doctrine was still in effect on ballot measures. Not surprisingly, there was considerable confusion over a station's legal obligations to provide free air time to proponents or opponents of initiatives during 1988 campaigns over ballot measures.

In 1988 California stations generally adopted one of three strategies when asked to provide free time to initiative proponents or opponents without campaign money: 1) some, most notably CBS affiliates, said the fairness doctrine was no longer in force and they would not give free time; 2) some stations agreed to give the "no money" side some free time anyway. As initiative attorney Barry Fadem noted, the time was given "not because [broadcasters] felt any legal obligation but because they believed in the principle of fair play and that all sides in political disputes should be heard;" and 3) some stations interpreted the 1987 FCC ruling to mean that the fairness doctrine still applied to ballot measures. The confusion left individual station managers with considerable discretion to determine how much free time, if any, would be allocated.

Ultimately, a large percentage of California radio and television stations gave some free time to sides with no money during the Fall 1988 campaign. Barbara Perzigian of Campaign California noted that out of 103 stations contacted on behalf of the measure to raise cigarette taxes (Proposition 99), all but four gave at least some free time. Similarly, Karl Ory, another pro-99 activist, said that of the 75 radio and television stations he contacted in northeastern California (Sacramento to the Oregon border), 72 gave some free time to pro cigarette-tax forces.

Leo McElroy, who has sought compensatory time for a number of initiative campaigns including last June's insurance initiatives, said he requests free time "the same way I buy time for clients [who have a media budget]; it's the same paperwork — dates, times when ads will be run, after or during what show, *et cetera*. Most of the stations are very honest and work at being straight arrows. In fact, I got better placements from stations with the [free] 'no on 101-104-106' request than I did with the paid ads I placed for the 'yes on 70' [park bonds initiative of June 1988]."

When ballot activists ask stations for free time, the station must first try to

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determine whether the requesting party has no money — not an easy task. Many stations request financial statements, while others attempt to check on a group's campaign-spending reports filed with the Fair Political Practices Commission. A few stations request little documentation; they just take the word of the party making the request.

There is no precise guideline for how many paid ads the moneyed side in a ballot campaign may run before crossing a threshold where the "no money" side can request free time. The rule of thumb seems to be: If one side has purchased some time and the other side has no money, the latter may seek free time.

Station managers face a dilemma when one side in an initiative battle spends its entire campaign budget on items other than radio and television ads and then, after having spent all its money, requests free time from stations. Monty Ivey, manager of radio station KPAY in Chico, complained, "I get irked by campaign proponents or opponents who spend thousands of dollars on lawyers, billboards, newspaper ads, *et cetera*, and then come to us asking for ridiculous amounts of free time. I don't buy the argument that they have no money to spend." Karl Ory of the pro-99 staff noted that some station managers complained of having to provide free time when "you haven't done a good job soliciting money from your backers."

The desire to get free fairness doctrine time may end up shaping campaign strategy as well. For instance, it might be wise, particularly in a local initiative campaign, for proponents with lots of campaign money to forego spending anything on broadcast media and concentrate solely on direct mail, newspaper ads and billboards. Thus, the opposition can't request free air time to present their side. This strategy may not work well in statewide contests, however, given the critically important role of broadcast media.

The reverse may be true for those without money for a statewide initiative campaign against a well-heeled opponent, however. Poor groups may be inclined to spend their budgets on nonmedia items and then request free time from broadcasters, figuring to get one gratis minute of advertising for every three or four paid minutes — about what they would have been able to afford anyway, given meager resources.

Since there is no precise formula, exactly how much time is given to the "no money" side is negotiable. Most free time requesters ask for the best deal possible, usually pegged at about one minute of free time for every two minutes of paid. Yet, given the ambiguities of the current fairness doctrine, most cashless groups are content with one free minute for every three, four or five paid minutes. Some stations whittle down the amount of free time by featuring the disputed issue on news or public-service programs.

A very few stations avoid the problem by refusing to sell any time to monied backers of at least some initiative measures. According to John Riedl, general sales manager of KABC-TV in Burbank, "We were one of only two stations statewide that refused to take any ads from the cigarette industry [against Proposition 99]. We thought their ads were deceptive and unfair. Because we didn't sell [the anti-99 side] any time, we didn't have to provide the 'yes on 99' side any free time."

According to Barbara Perzigian, the issue itself can determine how much time is given by a station. For example, she received far more cooperation and free time as a solicitor for the cigarette-tax initiative than as a proponent for a toxic-control initiative (Proposition 65) two years before.

Because of the 1974 FCC ruling, nearly all stations that provide free time also make an effort to ensure that the ads are run at reasonable times. Donna O'Connor, associate manager of KCPM-TV in Chico, said that her "station puts all free spots into a computer and then places them at random in the schedule, some in excellent time spots."

Giving free time to the "no money" side in an initiative campaign can be costly to stations. They lose the revenue of the paid ads that must be bumped — as much as $40,000 to $50,000 to a Los Angeles or San Francisco station for a 30-second spot in prime time. Consultants are aware of this cost and try to make up for it later. McElroy says he keeps track of stations that treat his free requests generously and tries to compensate later when booking commercials for a well-financed campaign.

Free-time solicitors and station managers agreed that the most effective solicitors are those that make no demands or threats. Karl Ory, when pushing for free time for cigarette-tax advocates, said he tried to persuade stations to give time as a moral obligation. As Chico radio station manager Monty Ivey noted, "The extent of time I give depends on how I'm approached. If they ask for the world, I get my back up ... What I resent are demands that we *owe* them free time and the not too subtle hints that lawsuits might be started or licenses might be challenged if the time is not forthcoming."

Since 1987 and the *Syracuse* decision both free-time solicitors and station management realize that the free-time requirement is on shaky ground. Barry Fadem commented, "In the old days [pre-President Reagan], a letter of complaint to the FCC [about a station's unfairness] carried some clout. No longer."

If a growing number of stations follow the CBS lead by contending the fairness doctrine is no longer in effect and by refusing to give free time, the most important factor levelling the playing field between "big bucks" initiative campaigns and grassroots efforts will have been lost.

Giving free time to the "no money" side in an initiative campaign can be costly to stations.

Most broadcasters would prefer the FCC rule definitively on whether the fairness doctrine is still in effect in ballot campaigns. However, few citizen activists seem keen on asking the FCC to delineate the position. Given the conservative bent of the FCC these days, grassroots activists are afraid of the answer.

Most stations would welcome the complete abolishment of the fairness doctrine because of its "chilling" effect on free speech and because it costs them money. As Dino Corbin, manager of radio station KHSL put it, "Good broadcasters are going to present both sides of an issue without being forced to by the fairness doctrine. As it works today, the fairness doctrine should be abolished. It was instituted in the days when one or two stations controlled broadcasting in an area. That's not true anymore."

Congress is likely to pass new legislation this year to reestablish portions of the fairness doctrine suspended by the FCC, but President George Bush has already promised to veto it. Meanwhile, the current ambiguity surrounding the fairness doctrine gives station managers broad discretion — a sobering fact for most grassroots activists.

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LURING THE MOVIES BACK HOME

All California is a stage

By Sharon Olsen

In the upcoming movie "Black Rain," Michael Douglas stars as a New York cop who joins forces with his Japanese counterpart to track down a killer from the Japanese underworld. In the final scenes the star Douglas and the killer engage in hand-to-hand combat in the terraced vineyards of a Japanese farm — located about eight miles outside of the city of Napa.

Paramount Pictures filmed most of the movie in Japan. But when snow started falling around Mount Fuji, the company moved to a Napa Valley winery.

It's the kind of story the California Film Commission likes to tell. And from the Commission's point of view, Paramount would have been better off if they'd made the entire movie here. As the commission likes to tout, in California you can find any part of the world.

The Commission, a branch of the state Department of Commerce, was established in 1985 to promote a stay-at-home policy for one of California's most glamorous businesses — the film industry. Its purpose is to entice film companies to make use of their native state rather than "running away" to another state or country.

Although the movie industry isn't among the state's biggest businesses, it does generate some $6 billion in revenue annually, it's non-polluting and directly provides jobs to some 80,000 Californians including some of the state's most glamorous residents.

The industry holds a special allure for politicians, who find that film stars can be helpful friends when it comes time to raise campaign money or garner a little extra press attention. As a result, lawmakers have been most attentive to requests for assistance from the industry and were quite concerned when more and more companies were taking their business out of state.

The question of what causes the phenomenon of "runaway" film production is more complex. In some cases, the decision to film outside of California is made on the basis of economic feasibility. According to Commission Director Lisa Rawlins, film companies can cut production costs substantially by filming in some other countries. For example, in the past several months the favorable exchange rate of the Canadian dollar has served as an impetus to many film

Sharon Olsen was a California Journal *intern.*

Cartoon by Chris Van Overloop

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companies to save a whopping 30 to 35 percent of production costs by producing their films north of the border.

Some film companies choose to go on location outside of California because of labor costs — specifically, they like to film in right-to-work states where union representation is weak. California is not a right-to-work state, and unions represent many film employees here. However, in 1987 more than 60 percent of the productions shot in California were non-union. Rawlins says that although labor costs are a factor in "runaway" production, the major reason that most companies film outside of the state is because of some location-oriented factor — the director may have a creative interest in finding a certain geographical or architectural setting in which to film.

The Commission's objective, of course, is to convince film companies that it would suit their needs and be cost-effective to film on location in California. However, when the Commission was first established, it found itself in the position of a fledgling organization vying for film-industry dollars with 140 other local and state groups already established to woo movie-makers. The California commission decided to become competitive with the other groups and gain the recognition of the film industry by adopting an innovative approach to meeting the needs of the film makers.

As Rawlins puts it, "We had to do something different — to prove ourselves. We wanted to do more than just deliver flowers to producers' hotel rooms. Our goal has been to become known as the working film commission." With this goal in mind, the Commission designed various information and marketing programs which would be useful to the film industry and also promote filming in California.

To promote the great variety of film locations available within the state, the Commission developed the Scouting Handbook and the Location Resource Library. The Scouting Handbook contains listings and photographs of more than 1300 locations statewide, including a milieux from beaches to deserts and from Victorian towns to thriving cities. The Location Resource Library has accumulated over 60,000 catalogued photographs as well as a large variety of printed material on locations and services available throughout California. This library is used by 40 to 50 companies each week. Marketing activities include presentations to film industry meetings and trade associations; familiarization trips for the film industry executives to various location sites around Los Angeles and throughout California; and annual location expositions.

The Commission makes it a policy to stay informed about future trends in filming so it can be prepared with suggestions for suitable locations for upcoming films. For example the Commission is currently busy scouting and photographing available prisons within California and will promote them as locations for several upcoming prison films scheduled to be made this year.

The Commission also attempts to secure local support for movie companies by making cities and counties aware of the financial benefits which film-making can bring to their communities. Rawlins has travelled to many of the cities in California to give talks on this subject and to outline the steps necessary to form local film commissions. Revelations of economic success stories such as the $2 million spent in the Madera-Bass Lake area in a matter of weeks during the filming of Universal's "The Great Outdoors," or the $35,000 left in Mojave during the one-day shoot of a Japanese television commercial can be powerful motivators. In response to community interest, the Commission's FLICS program (Film Liaisons in California, Statewide) has established more than 50

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local film commissions throughout the state and conducted training programs for local film commissioners, preparing them to efficiently organize needed local services for the film industry while it is on location in their area and at the same time protecting the interests of their community.

Rawlins

If conflicts arise between local communities and filmmakers, the Commission is prepared to intervene to see if it can resolve the situation. The Commission also serves as an intermediary to help film makers obtain permission to shoot on location in a business or on private property which normally does not allow filming; and it coordinates filming on state-owned property, issuing permits in 24 hours or less. If necessary, the Commission can call on its liaisons at departments of Transportation, Parks and Recreation, the State Fire Marshall's Office and the Highway Patrol to help solve problems such as closing down roads and freeways safely when they are needed as a location site and educating local fire officials about the safe use of special effects.

Rawlins believes the Commission's activities have been successful, pointing out that the group now receives an average of 150 phone calls per day and that California's portion of the national film production pie has increased from 48 percent in 1985 to 56 percent in 1988. Rawlins said the Commission's goal is to have 65 percent of all films made in the state.

The California Film Commission has a full-time staff of 10 people supported by a 25-member board made up of government and industry representatives headed by the high-energy Rawlins. Rawlins grew up in a film industry family, earned a degree in cinema at USC and was subsequently employed in the film industry before becoming deputy press director in Governor George Deukmejian's first gubernatorial campaign. In 1983 Rawlins was made the governor's liaison to the film industry, and she became the director of the Commission when it was created in January of 1985.

The state Legislature, too, has been anxious to do its part to keep film makers in the state. A bill passed into law last year, for example, exempts from sales and use taxes film production fabrication labor provided by an independent subcontractor and also exempts from sales taxes the sale of a motion picture prior to its release. Rawlins, who supported the bill, says the measure is a "tax-equity," rather than a "tax break" bill, because she says it puts small production companies, which may farm out many of their activities to subcontractors, on par with the major studios that do all of their own post-production work. The in- house system of making films was already tax exempt, she notes. Regardless, the Legislative Analyst estimated the bill will result in a loss to state tax coffers of between $600,000 to $1.2 million in 1988-89, $1.5 to $3 million in 1989-90 and increasing amounts in subsequent years. A similar amount will be lost to local governments as well.

Although she supported the bills, Rawlins is "not wholly convinced that it would make a difference" when a film company decides where to make a movie. Of more importance are labor costs, she added. "They [film industry] don't care; they would rather shoot in Texas where fringe benefits are 3 percent [of salary] than in California where they are 32 percent."

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Capitol Focus Ballot Results

	Yes	No
Mandatory Parental Consent For Abortion: Shall minors be required to obtain parental consent prior to an abortion?	15%	85%
Education (Proposition 98 Funds): How should state government prioritize spending of the education funds made available by Proposition 98? Teacher Salaries/Training: first Materials: second Facilities: third Reduce Class Size: fourth Extra-Curricular Activities: fifth		
Life Without Parole: Should California Judges have life without parole as an optional punishment they may impose on juveniles convicted of certain crimes?	53%	47%
Health Care (AB350): Should California Employers with five or more employees be required by law to provide health care insurance for those employees?	69%	31%
Elections: Should the State of California move its presidential primary up from June to mid-March?	55%	45%
Reapportionment: Should a non-partisan reapportionment commission be formed to redraw legislative districts following the 1990 census?	75%	25%
Ballot: Should the State of Califoria require that voters choose a Governor and Lt. Governor from the same party?	64%	36%
Gas Tax (AB471): Should the California Legislature impose a tax to fund transportation projects?	68%	32%
Weapons Ban (SB292): Should the State of California ban the ownership and sale of specified semi-automatic weapons?	72%	28%
Insurance: Should the Insurance Commissioner be prohibited from collecting campaign contributions from individuals or institutions who are affected by his or her decisions?	77%	23%
Campaign Ethics: Are campaign contribution limits an unfair restriction of First Amendment Free Speech Rights?	38%	62%

The next Capitol Focus program is October 29-November 1, 1989 in Sacramento. Participants will have the opportunity to examine over twenty issues facing policy-makers in California. For more information, please contact:

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Five million Californians can't afford to be sick . . .

By Lee Wallace

When Dr. Jody Gordon began treating the 50-year-old insurance salesman for diabetes and high blood pressure, she said his condition was "out of control." Gordon, a resident internist at the University of California, Davis, Medical Center, was getting his problems under control when the man lost his job. Along with his job went his medical insurance — and the ability to get treatment from the medical center, which functions as the county hospital for Sacramento County. On his own he couldn't afford treatments of up to $100 per visit, and he was unable to qualify for Medi-Cal, the state's program for the impoverished, so he stopped coming. Two months later, Gordon was contacted by another hospital in Sacramento. The man had died of a heart attack which, Gordon believes might have been brought on by his failure to keep up the medical treatments she had begun.

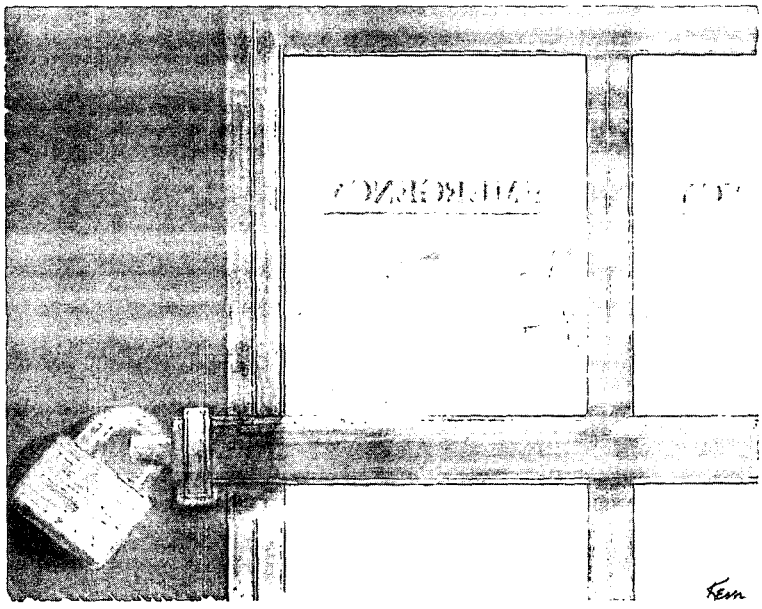
Although the case is sad, it is not unusual. In California there are more than 5.2 million people who have no medical insurance. Of these, more than 2.7 million are employed, but have no health coverage. They are not poor enough to qualify for state-paid programs, but they make too little to pay for treatment or health insurance themselves. As a result, few seek medical treatment until they get to an emergency room, and then it may be too late.

In California the number of people who are medically uninsured is growing at an astounding rate. If you are not medically insured by your employer, you are on your own to try to pay insurance fees that more and more people are finding themselves unable to afford. In a health crisis these people often find that they must quit their jobs and become impoverished so they can get medical coverage under welfare's Medi-Cal program.

The only alternative, for those who are lucky, is trying to qualify as a Medically Indigent Adult (MIA), a program which only covers people who have an income less than twice the federal poverty level income of $6900 per year. Some counties have even more stringent requirements. These people who are uninsured find themselves diverted to county clinics — an overburdened system with limited facilities.

According to Richard Brown, associate professor at UCLA's School of Public Health, the number of Californians without any health insurance coverage increased from 3.5 million to more than 5.1 million between 1979 and 1986. This is roughly a 50 percent increase in seven years. Working people in California make up more than half of the uninsured. Those Californians aged 16 to 64 who work yet carry no medical insurance rose from 1.7 million in 1979 to 2.7 million in 1986. Forty-three percent of all the uninsured people in the state are employed somewhere in the private sector.

But while the number of people who lack insurance is increasing, the amount of money being spent at the state level for medically indigent adults is not. State funding for the MIA program is $682.7 million in the current fiscal year. In the upcoming year Governor George Deukmejian has proposed spending only $448.2 million on the program. He is also proposing that the state set up a new program for the medically indigent that will use up to $331.3 million from the increased cigarette taxes approved by voters in November. No specifics on this program have yet been proposed. Whatever the amount the program is financed for, critics say it is not enough to cover actual costs; counties, which administer the program, must make up the difference or cut services.



The money shortage has put counties — and the hospitals that provide services for them — in a bind. Because there is not enough money, some hospitals are refusing to provide non-emergency or non-surgical care to medically indigent patients. Counties have set up their own clinics to try to fill the gap, but it is often difficult to get service at these facilities.

For example, the UC Davis Medical Center, which functions as the county hospital in Sacramento, says it was being reimbursed for only 23 percent of its costs of out-patient care to the medically indigent. In June 1988 it refused to renew its county contract for medically indigent out-patient care.

Gordon says that patient reactions to UCD's decision were distrubing; they stopped coming for care. She says that while medically indigent patients will be admitted for emergencies and be hospitalized if necessary, doctors are unable to give proper follow-up care once patients are released. She says the county facilities where patients must go if they need follow-up care are an overburdened system

Lee Wallace is a California Journal *intern.*

Drawing by Kristine Meyers

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which may or may not provide adequate care.

The rising number of medically uninsured, coupled with the shortage of money, lead Paul Press of the Assembly Health Committee to conclude, "The system is cracking apart."

Early this year, the California Association of Hospitals and Health Systems estimated that uncompensated care cost California hospitals $2.7 billion. Most of this loss is considered to be for unreimbursed costs by Medi-Cal for the hospitals' treatment of Medi-Cal patients. But some $655 million are listed as "bad debts" of people who receive medical treatment and cannot pay their medical bills; most of these patients can be considered medically indigent, although they do not qualify for government help.

Hospitals have fought back in a few cases by eliminating expensive services provided by emergency rooms in order to stay the hemorrhaging of money from unreimbursed patient care. The Assembly Office of Research, in a study of trauma centers — those emergency rooms that receive patients needing the most urgent care — found that 45 percent of all trauma patients make no payment at all on the hospital bills they owe. In reaction to their financial troubles, Los Angeles County has closed eight of its trauma centers — a fact that Bob Hielig, director of professional services for the hospital association, believes will result in more unnecessary deaths.

While there is widespread agreement that something must be done to cover those patients currently without insurance, there is no agreement on what the solution should be. The debate, according to the health committee's Paul Press, is "Who's going to pay?"

Most of those without medical insurance are employed in the private sector, often by small firms. The number of people in this category keeps increasing as the state shifts from a manufacturing economy to a service economy, according to Nancy Sullivan, director of employee benefits for the California state Chamber of Commerce. But she notes that these firms often do not have the resources to afford expensive insurance premiums for their employees.

With a shortage of state tax revenues, the state too will be hard-pressed to fill the gap. Two different approaches have been suggested in the Legislature for solving the problem. Assembly Speaker Willie Brown, a San Francisco Democrat, has proposed a bill that would require every employer more employees to provide 75 percent of health-care coverage to every employee who works at least half-time. He estimates it will cost $75 to $85 a month to insure each employee. Coverage would begin after an employee has been with an employer three months. Brown is convinced that a business "pooling" system would allow small employers to join insurance groups and thus receive some of the cost savings associated with being part of large group-insurance plans. The bill is fashioned after a plan used in Hawaii. Hawaii started with a mandate on firms with 15 employees and now is down to all firms. With 95 percent of its population covered by insurance. It has the lowest mortality rate of any state in the nation. The California Medical Association has flirted with supporting the measure, which is backed by the County Health Executives Association of California, California Association of Catholic Hospitals and California Chapter of the National Organization for Women. Sullivan said the Chamber opposes this approach because it imposes a required additional cost on businesses, whether they can afford it or not. "The issue," she says, "is not whether businesses want to

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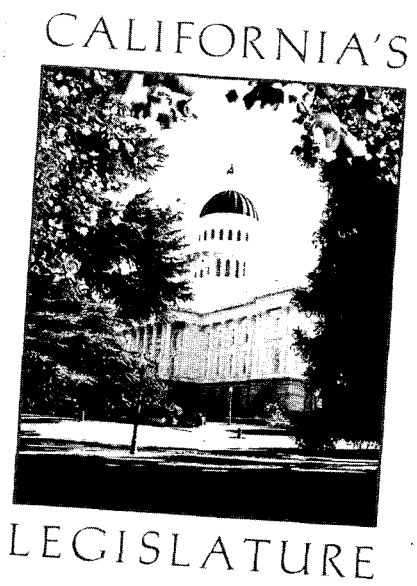

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provide a medical insurance service. It's whether one can do so without undermining his own business."

Assemblyman Burt Margolin, a Los Angeles Democrat, has taken a different approach. Margolin would establish the California Health Plan Commission consisting of representatives from hospitals, physicians, insurers and various businesses. This commission will "establish a system of subsidized basic health insurance, to be available to persons with incomes which do not exceed 300 percent of the federal poverty level." Money for this system would come from a variety of sources including an 8 percent payroll tax on employers who don't now provide health insurance for their employees. New businesses would pay 2 percent the first year, 4.8 percent the second year and 7.2 percent the third year to ease them into the full 8 percent payment.

Very small businesses — eight employees or less — also would get a three-year phase-in program. Other money would come from the tobacco-tax increase approved by voters last November, existing state money that goes to the medically indigent care program and from employees themselves. They will pay on a sliding scale depending upon their income, with a maximum of 25 percent of the premium cost. The commission will set the premiums, but they can't be any higher than the "premiums provided by the Public Employees' Retirement System for state employees" which are $110 for an individual, $206 for a couple, and $268 for three or more. Backing for the bill comes from the American Civil Liberties Union, the California Association of Public Hospitals and Health Access — a consumer and health-care organization.

Sullivan says the Chamber is opposed to both measures but is not as hostile to the Margolin approach. She is not convinced the measure can really guarantee limits on insurance premium costs. If premiums are kept artificially low, she is afraid insurance will dry up.

Sullivan does not say what the Chamber of Commerce would like to see presented in a bill, but she offers that it may be impossible to provide care for everyone. "At some point we're going to have to ration care," she says, adding that Americans expect that everyone should have health-care coverage. She believes society should say that it's just too expensive to make available every medical procedure to every person.

Backers of the insurance plans believe their plans might actually help keep insurance costs down. Lucien Wulsin Jr., an aide to Margolin, argues that one of the reasons insurance costs rise is that hospitals are shifting costs from those without insurance — those who must still get service and whose numbers keep increasing — to those who do have medical insurance. If this cost-shifting is eliminated, it will reduce the costs to those with insurance.

In view of the shortage of state money and resistance by the business community, backers of the bills are not overly optimistic about its prospects for passage. Governor Deukmejian has not given any indications of whether he is considering signing either bill. But if this is not the year for a change in state policy, supporters of change say it will come before too long.

Assemblyman Bruce Bronzan, chairman of the Assembly Health Committee, notes that Americans spend more on health care — and receive less for it — than anyone else in the world. Neither our pocketbooks nor our sensibilities will allow that to continue.

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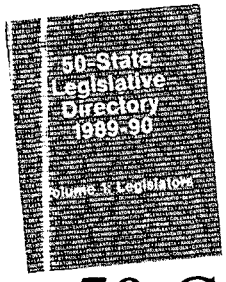

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ROLL CALL

BILL LIMITATION
ACR 2 (Statham) Would limit the number of bills a member of the Assembly or Senate could introduce per session. Assembly members would be limited to 45 bills, senators 70. Passed the Assembly May 15th, 55-16. Senate Rules Committee.

SETTLEMENT CLAIMS
AB 45 (Vasconcellos) Routine claims bill to appropriate $7.6 million from the general fund to pay legal claims against the state. Passed the Assembly February 9th, 69-0. Failed in the Senate March 16th, 25-10. In Senate third reading file — Assembly bills.

PERS
AB 252 (Isenberg) Would authorize the Board of Administration to refuse to contract with any public agency for any benefit provisions which might adversely affect PERS. Passed the Senate March 16th, 28-7. Passed the Assembly March 39th, 69-0. Chaptered.

RETIREMENT DEDUCTIONS
AB 260 (Clute) Would authorize deductions from county employee retirement allowances for payments to federally charted veterans' organizations. Passed the Assembly February 27th, 49-25. Senate third reading file — Assembly bills.

FIREARMS
AB 669 (Speier) Would prohibit convicted felons from owning or possessing any kind of firearm. Current law only prohibits felons from owning handguns. Passed the Assembly April 20th, 75-0. Senate Judiciary Committee.

AMNESTY: EDUCATION
SB 109 (Torres) Would appropriate an additional $50 million to continue English and civics classes for those persons seeking citizenship under the 1986 amnesty program. Passed the Senate April 17th, 33-4. Assembly third reading file — Senate bills.

SEMIAUTOMATIC FIREARMS
SB 292 (Roberti) Would make it a felony to import, manufacture, sell, possess, give or lend a wide array of broadly defined semiautomatic assault weapons. Would also establish a commission to recommend which new and existing semiautomatics should be exempted as sporting guns. Passed the Assembly April 17th, 41-34. Passed the Senate May 4th, 29-8. Enrollment.

EMERGENCY HOUSING
SB 480 (Greene, L.) Would authorize an extended stay, from 60 to 180 days, for homeless families or individuals residing in state-funded shelters who are concurrently participating in a program to obtain income and permanent housing. Part of a 25-bill package dealing with homelessness in California. Passed the Senate May 4th, 34-0

FAX ADS
SB 487 (Kopp) Would make it a misdemeanor to send unsolicited advertising material via FAX machines. Passed the Senate April 13th, 24-4. Assembly Committee on Utilities and Commerce.

SENATE

Democrats	AB 45	AB 252	SB 109	SB 292	SB 480	SB 487
Alquist	Y	Y	Y	Y	•	Y
Ayala	Y	Y	Y	Y	Y	Y
Boatwright	Y	Y	Y	Y	Y	Y
Deddeh	Y	Y	Y	Y	•	Y
Dills	Y	Y	Y	Y	Y	Y
Garamendi	Y	•	Y	Y	Y	•
C. Green	Y	Y	Y	Y	Y	Y
B. Greene	•	•	Y	Y	Y	•
L. Greene	Y	Y	Y	Y	Y	Y
Hart	Y	Y	Y	Y	Y	Y
Keene	Y	Y	Y	Y	Y	•
Lockyer	Y	•	Y	Y	Y	Y
Marks	Y	Y	Y	Y	Y	Y
McCorquodale	Y	Y	Y	Y	Y	Y
Mello	Y	•	Y	Y	Y	Y
Montoya	Y	Y	Y	Y	Y	•
Petris	Y	Y	Y	Y	•	•
Presley	Y	Y	Y	Y	Y	Y
Robbins	Y	Y	Y	•	Y	•
Roberti	Y	Y	Y	Y	Y	Y
Rosenthal	Y	Y	Y	Y	Y	Y
Torres	Y	Y	Y	Y	Y	•
Vuich	•	•	Y	Y	Y	•
Watson	Y	Y	Y	Y	Y	Y

Republicans	AB 45	AB 252	SB 109	SB 292	SB 480	SB 487
Bergeson	N	Y	Y	Y	Y	Y
Beverly	Y	Y	N	Y	Y	Y
W. Campbell	Y	Y	Y	N	Y	Y
Craven	N	Y	•	Y	•	•
Davis	N	N	•	N	Y	Y
Doolittle	•	N	N	N	Y	N
Leonard	N	N	Y	N	Y	N
Maddy	N	Y	•	•	•	N
Morgan	•	Y	Y	Y	Y	•
Nielsen	N	N	N	N	Y	•
Rogers	N	Y	N	N	Y	•
Royce	N	N	Y	N	Y	N
Russell	•	N	Y	•	Y	Y
Seymour	N	Y	Y	Y	•	Y
Stirling	N	N	Y	N	Y	Y

Independents

Kopp	Y	Y	Y	Y	Y	Y

ASSEMBLY

Democrats	AB 45	AB 252	AB 260	AB 669	ACR 2	SB 292
Areias	Y	Y	Y	Y	Y	Y
Bane	Y	Y	Y	Y	N	Y
Bates	Y	Y	Y	Y	Y	Y
Bronzan	Y	•	Y	Y	Y	Y
W. Brown	•	Y	•	Y	N	Y
Burton	Y	•	Y	Y	Y	Y
Calderon	Y	Y	Y	Y	Y	Y
R. Campbell	Y	Y	Y	Y	N	Y
Chacon	Y	Y	Y	Y	Y	Y
Clute	Y	Y	Y	Y	Y	Y
Condit	Y	Y	Y	Y	Y	N
Connelly	Y	Y	Y	Y	Y	Y
Cortese	Y	•	Y	Y	Y	Y
Costa	Y	Y	Y	Y	N	Y
Eastin	Y	Y	Y	Y	•	Y
Eaves	Y	•	Y	Y	Y	Y
Elder	•	•	Y	Y	Y	•
Epple	Y	Y	Y	Y	Y	N
Farr	Y	Y	Y	Y	•	Y
Floyd	Y	Y	Y	Y	N	•
Friedman	Y	Y	Y	Y	N	Y
Hannigan	Y	Y	Y	Y	N	Y
Harris	Y	Y	Y	Y	Y	Y
Hauser	Y	Y	Y	Y	Y	N
Hayden	•	Y	Y	•	Y	Y
Hughes	Y	Y	Y	Y	N	Y
Isenberg	Y	Y	Y	•	Y	Y
Johnston	Y	Y	Y	Y	Y	Y
Katz	Y	•	Y	Y	Y	Y
Killea	•	Y	Y	Y	Y	Y
Klehs	Y	Y	Y	Y	N	Y
Lempert	Y	Y	Y	Y	Y	Y
Margolin	•	Y	Y	•	N	Y
Moore	Y	Y	Y	Y	•	Y
Murray	Y	Y	Y	Y	N	N
O'Connell	Y	Y	Y	Y	Y	Y
Peace	Y	Y	Y	Y	N	N
Polanco	•	Y	Y	Y	N	Y
Roos	Y	Y	Y	Y	N	Y
Roybal-Allard	Y	•	Y	Y	N	Y
Sher	•	Y	Y	Y	Y	Y
Speier	Y	•	Y	Y	Y	Y
Tanner	Y	Y	Y	Y	•	Y
Tucker	Y	Y	Y	Y	•	Y
Vasconcellos	Y	•	Y	Y	•	Y
M. Waters	•	Y	Y	Y	Y	Y
N. Waters	Y	Y	Y	Y	Y	N

Republicans	AB 45	AB 252	AB 260	AB 669	ACR 2	SB 292
Allen	Y	Y	N	Y	Y	N
Bader	Y	Y	N	Y	Y	N
Baker	Y	Y	N	Y	Y	N
Bentley	Y	Y	N	Y	N	N
Bradley	•	Y	N	•	•	•
D. Brown	Y	Y	N	Y	•	N
Chandler	Y	Y	N	Y	Y	N
Felando	Y	•	•	Y	Y	N
Ferguson	Y	•	N	Y	Y	N
Filante	Y	Y	•	Y	Y	Y
Frazee	Y	Y	N	Y	Y	N
Frizzelle	Y	Y	N	Y	Y	N
Hansen	Y	Y	•	Y	Y	N
Harvey	Y	Y	N	Y	Y	N
Hill	Y	Y	Y	Y	Y	N
R. Johnson	Y	Y	N	Y	Y	N
Jones	Y	Y	N	Y	Y	•
Kelley	Y	Y	N	Y	Y	N
LaFollette	Y	Y	N	•	Y	•
Lancaster	Y	Y	Y	Y	Y	N
Leslie	Y	Y	N	Y	•	N
Lewis	Y	Y	N	Y	Y	N
McClintock	Y	Y	N	Y	Y	N
Mojonnier	Y	Y	•	Y	Y	N
Mountjoy	Y	Y	N	Y	Y	N
Nolan	Y	Y	N	Y	Y	N
Pringle	Y	Y	N	Y	Y	N
Quackenbush	Y	Y	N	Y	Y	Y
Seastrand	•	Y	•	Y	Y	N
Statham	Y	Y	Y	Y	Y	N
Woodruff	•	Y	N	Y	Y	N
Wright	Y	Y	N	Y	Y	N
Wyman	Y	Y	N	Y	Y	N

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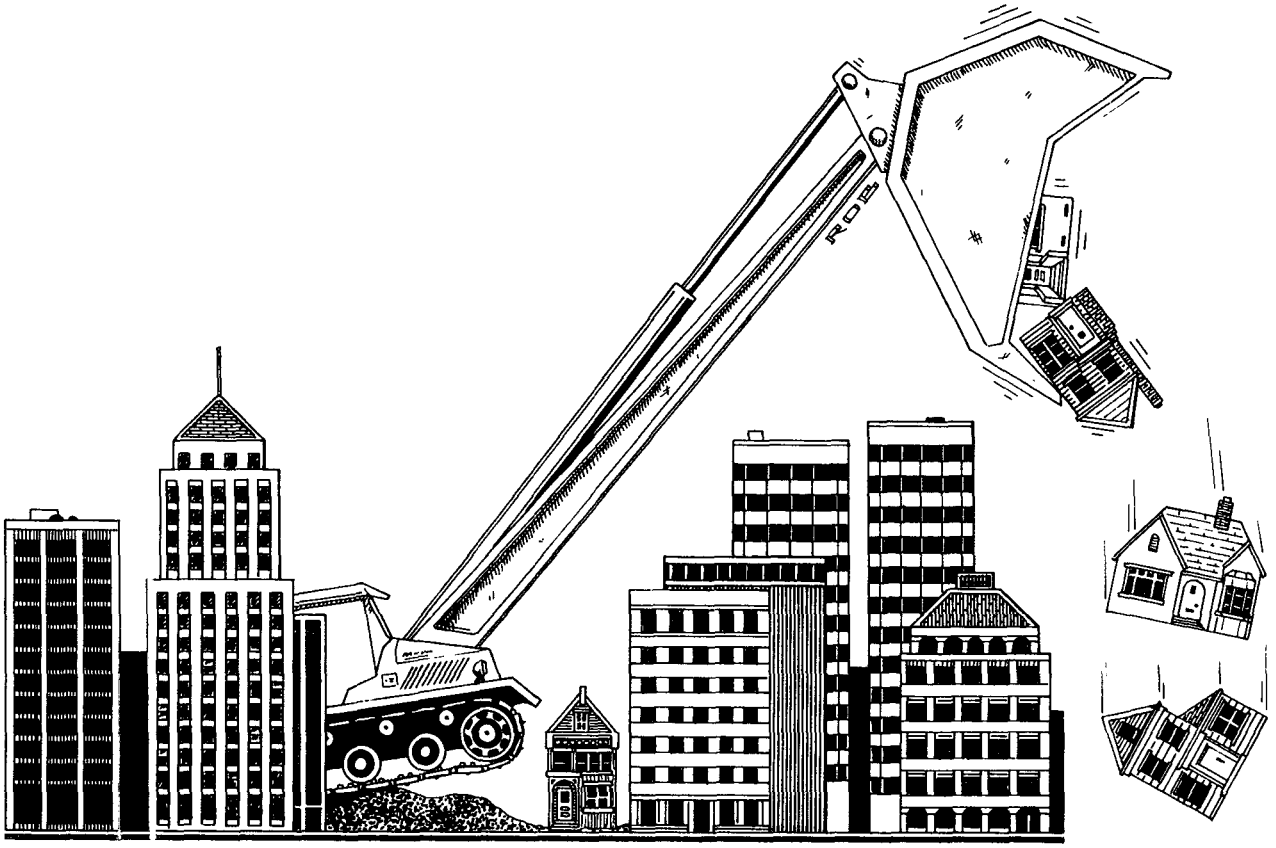
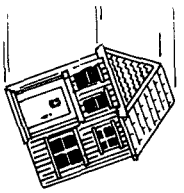


CALIFORNIA'S REDEVELOPMENT AGENCIES

Urban renewal for business, not housing



By Christine Kohn

"Miserable and disreputable housing conditions may do more than spread disease and crime and immorality. They may also suffocate the spirit by reducing the people who live there to the status of cattle...The misery of housing may despoil a community as an open sewer may ruin a river." (1954 United States Supreme Court opinion: *Berman vs. Parker*)

Redevelopment agencies in the 1950s made urban renewal possible in areas developers wouldn't touch. They cleared away old San Francisco tenements that lacked indoor toilets, baths and electricity. In Los Angeles the agency reshaped the city's skyline. And cities such as Commerce and Industry in Southern California and Emeryville along San Francisco Bay owe their very existence to state redevelopment laws.

California redevelopment agencies were efficient — almost too efficient. As urban renewal came in, cheap, if dilapidated, housing went out — in many cases never to be replaced. But with California housing now financially out of reach of the majority of Californians, legislators and housing advocates are turning to redevelopment agencies to fill the low- and moderate-income housing gap they helped create.

Redevelopment agencies have always been charged with the responsibility of building new housing, but it is a task more often ignored than fulfilled. In past years, redevelopment agencies, which have the power to condemn land and form new parcels for development, worked hard to attract auto malls, shopping centers and luxury hotels to their cities rather than build economically and politically less-desirable low-income housing. But loopholes in state law have been tightened, making it difficult to squirm out of housing obligations. Redevelopment agencies are finding fewer excuses, and more reason, to go into the housing business. Experts say redevelopment is one of the most powerful tools accorded to local government. This tool went largely unnoticed until the late 1970s. When local governments started feeling the budget squeeze from property tax-slashing Proposition 13, many discovered a money prize locked into a 1958 constitutional amendment allowing tax-increment financing.

Tax-increment financing works like this: When a redevelopment project

Christine Kohn is a California Journal *intern.*

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area is designated, the property tax base is frozen, and taxes collected on this base continue to flow to the agencies — the city, the county and school districts — that were collecting it before. However, money from any new construction or higher land values is captured instead by the local redevelopment agency.

This tax-increment money can be used to clear blighted parts of a community and entice new development In turn, the additional tax money created by this new development can be used for still more construction.

But this financing method discourages redevelopment agencies from building new housing. After all, the agency will collect substantially more tax money if it builds a new office building than a few dozen units of low-cost housing.

The state Legislature in 1976 required all post-1976 project areas to set-aside 20 percent of their annual tax increments for housing that qualifies as affordable by families with "very low," "low" or "moderate" incomes. Later, in 1985, this law was extended to all redevelopment project areas. A family of four at the "very low" income level earns around 50 percent of the median income for the area they live in. In Los Angeles County, for example, the median income for a family of four is $35,500, and a family of four is considered to have "very low" income if they receive less than $19,150 per year. A family considered "low" income earns 80 percent of the area median, and a "moderate" income family earns 120 percent of the median.

The only way to be exempt from the set-aside housing fund is if a city doesn't need more low-income housing, or some percentage less than 20 percent will take care of the housing, or if the community is already making a substantial effort using funds other than tax increments. Very few communities have won this type of exemption.

Figures from the state Department of Housing and Community Development show that over half of the 232 project areas created prior to 1977 are not setting aside any tax increments. But a majority of the state's redevelopment project areas were created after 1977 and are meeting the 20 percent goal.

Redevelopment agencies added about $108 million to the low- and moderate-income housing fund in fiscal year 1987, according to the department's most recent figures.

"The impression I have is that the amount of money that accumulates in the low- and moderate-income housing funds collectively in a year may be the single largest source of public capital for affordable housing in California," said Peter Detwiler, consultant for the Senate's Local Government Committee.

But critics say that, at least to this point, many agencies have been content to just sit on their housing funds rather than spend them. Redevelopment agencies often find that once they encourage the construction of shiny new commercial buildings, low-income housing is not particularly popular with the new denizens of the area.

Some communities have even sought out creative ways of getting around the requirement. The high-income city of Indian Wells, for example, had to be sued before it would agree to build low-income housing. The city finally came around, but only after an agreement was reached to build the new housing outside of Indian Wells. Other communities, such as the City of Industry, have built no housing at all. That town has since pledged to do so but has yet to develop any housing plans.

But redevelopment agencies, officials say, are running out of excuses and time. The primary catalyst is coming from a "use it or loose it" bill adopted by the Legislature last year. The bill requires agencies with more than $500,000 in their housing funds to spend the money within five years or surrender it to another housing authority.

Redevelopment agencies are running out of excuses and time.

Although it is too soon to see if redevelopment agencies are complying with the new law, said Detwiler, "we ought to see a much higher annual production rate in terms of units of housing and we're going to see fewer excuses on why they can't do it."

But if agencies do not spend their money on low-income housing, there is no state agency that will force them to change their ways. Enforcement of the rules will have to be by lawsuits filed by advocates of low-income housing. For example, it was a suit filed by the Western Center on Law and Poverty that forced Indian Wells into action.

State law requires only that redevelopment agencies file annual finan-

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cial reports, and reports of how much and of what type of housing they have built, with the state controller. The reports are based primarily on financial statements, audited by agency-hired accountants, but are not actually audited by the controller's office.

The housing information is forwarded by the controller to the Department of Housing and Community Development. The department must report the information but is not required to investigate its accuracy or enforce compliance with the law.

"A community is responsible for housing needs of the citizens and we assume these needs are being met by the community," said HCD spokeswoman Julie Stewart.

"We presume that local public officials tell the truth," said Detwiler. "We presume that the system works well enough to correct serious errors."

But anti-redevelopment activist Sherry Passmore of Citizen Advocates disagrees. She contends the reports are "embellished" and that "anyone can put down on a piece of paper what they want to."

Earlier this year, Los Angeles redevelopment agency officials blamed the lack of uniform reporting standards after being accused by the Legal Aid Foundation of 'grossly" inflating housing statistics. Agency spokesman Marc Littman said officials had no choice but to count cots in shelters for the homeless, men-only rehabilitation center beds and single-room occupancy hotels as "family housing" units. Federal guidelines define "family" as an individual or group occupying the same dwelling and 'family housing" as any unit with two or fewer bedrooms not restricted to elderly or disabled. The agency concedes this is not what most people consider traditional family housing.

But by focusing on housing definitions, critics were missing the big picture, Littman said. The Los Angeles redevelopment agency responds to the needs of the whole community, not only family housing but all types of housing, he said.

Los Angeles Legal Aid also criticized the city's redevelopment agency for counting, as low income-housing, units the agency had created or assisted in the past although the people living in them now were no longer at the low-income level. According to Littman, officials initially screen applicants but don't go back three to five years later and check; state law doesn't require it.

Redevelopment agencies added or rehabilitated about 6000 housing units to California's housing stock in 1987, reported the HCD. This is about 2 percent of the total housing units added in the state during that time. At the same time, the agencies tore down 1368 units, leaving a net increase of 4632. Of those, 3336, or 71 percent, were for low- and moderate-income households. The remainder were for upper-income families.

Critics maintain that even what the low-income housing agencies provide really is not affordable to those who truly need it. Passmore calls it "housing for the rich."

The state affordability standard says families should not pay more than 25 percent of their monthly income on rent or mortgage payments. But to get housing, any kind of housing, most low-income families have to spend more. In the City of Commerce, for example, about 65 percent of households which earned less than $10,000 per year put more than 35 percent of their earnings toward rent, according to the city's 1987 general plan.

"It is not uncommon for low-income earners to expend greater portions of income for housing ..." according to the Commerce general plan. "Low-income renters are particularly vulnerable to the effects of rising housing costs because low-income wages generally do not increase in proportion to increases in the cost of living."

Housing prices and rents are rising far faster than incomes in California, a recent California Association of Realtors report said. An average of 90 people are evicted each working day in Los Angeles County, and an estimated 546,000 low-income households in that county struggle with rents they cannot afford, the *Sacramento Bee* recently reported.

Redevelopment agencies potentially could be the largest source of public money for the low-income housing California needs, according to Detwiler. While many agencies have had the resources in the past, some have not been willing.

But so far, the Legislature has taken a piecemeal approach to using redevelopment law to build housing. The "use it or loose it" law now in the books should force agencies to spend more on housing but, until measures are taken to make redevelopment agencies officially accountable, including uniform reporting requirements and a state agency to enforce the rules, it will be left to private citizens to scrutinize the activities of individual redevelopment agencies.

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WASHINGTON PERSPECTIVE

By LARRY LIEBERT

Cranston and 1990

The Capitol grounds usually are all but deserted late on Friday afternoons, the members of Congress having headed home for the weekend and the tourists having returned to their hotels to rest up after their sightseeing exertions.

ABSENT-MINDEDLY CLIMBING THE STEPS of the Capitol on a recent Friday afternoon, I was surprised to nearly bump into a woman who was briskly descending the steps, trailed by a retinue of retainers. It was former San Francisco Mayor Dianne Feinstein, heading back to California after a private chat with Alan Cranston.

Cranston may be known in Washington as the Senate's majority whip and top vote-counter. But he is also California's senior senator and its senior elected Democrat. These days, his thoughts are turning increasingly to politics in his home state.

Cranston is actively involved in behind-the-scenes maneuvering over next year's race for governor, as evidenced by his recent visit with candidate Feinstein and a separate chat over lunch with Attorney General John Van de Kamp, her Democratic rival. Cranston has also begun extraordinarily early fund-raising for his own re-election race in 1992.

The two elections are inextricably linked, and not just because winning the governor's race would give the Democrats momentum and a better fund-raising base. If Republican Senator Pete Wilson wins election as governor next year, a campaign to fill out Wilson's Senate term will be competing for funds and attention with Cranston's re-election drive in 1992.

Cranston insists that he has no interest in Assembly Speaker Willie Brown's proposal that the Democratic establishment gang up and dictate a nominee for governor. The goal would be to avoid a bruising, costly primary campaign between Feinstein and Van de Kamp for the right to go against Wilson in the general election.

"It would be better if we didn't have a primary in view of the fact that Pete Wilson probably will not have any significant primary," Cranston said. "But I'm not working to that end, and I don't intend to. It's up to them to make all their own decisions. I am going to be neutral in this race and do all I can to support the winner."

Cranston acknowledged that there has not been "great receptivity expressed so far" to his own suggestion that Van de Kamp and Feinstein observe a voluntary spending limit in their primary.

"If Pete Wilson has $5-or-10 million ready to use on the first Wednesday after the first Tuesday, and the Democratic nominee is flat broke ... that puts the Democratic nominee at a very great disadvantage," Cranston said, adding that the problem will be exacerbated by the new restrictions on contributions to state candidates that were imposed by last year's campaign reform initiative.

Cranston shrugs off speculation that he wants Van de Kamp and Feinstein to spend less so that more Democratic money will be available for the senator's own re-election effort.

"That's ridiculous," he said. "Some people seem to be very cynical. It has nothing to do with me. There's no competition for money. I've raised from different sources and different types of money. I think we raised $6 million out of the $13 million we raised for my last race by direct market [mail solicitation] and telemarketing [phone solicitation]."

The senator said that Wilson is the early favorite to succeed fellow Republican George Deukmejian "but by no means any cinch." Cranston said Californians may be ready for more of a change in Sacramento than they would get from Wilson's kinder, gentler brand of Republicanism.

"I don't know if people want another Deukmejian any more," he said. "If Deukmejian thought they wanted another Deukmejian, he probably would have run himself."

Cranston said he has already started raising money for his next campaign because "it does help to discourage opposition, perhaps, if you're off to a flying start" and because "I've learned by observing what other people do.

"Pete Wilson started raising money right after he beat Jerry Brown [in 1982]," Cranston said. "The result [in 1988] was that he was so far ahead that no one could catch up to him ... The more I raise now, the simpler it makes the campaign."

Cranston would be 78 years old at the start of a fifth term in the Senate. But the fitness fanatic insists he is as sharp and energetic as ever "because I take care of myself and because I enjoy what I'm doing, so I'm constantly stimulated. If you're bored and don't enjoy what you're doing, then your faculties fade.

"Why should I retire?" he asked. "There are still too many things to do."

During an interview in his whip's office, hidden away off a downstairs corridor at the Capitol, Cranston was eager to demonstrate the wide range of issues that keep him fully engaged in his work here.

"I want to get more firmly established world peace. End the arms race. Protect the environment. Deal with global warming. Deal with the (California) desert bill. Offshore oil. Bring about child care. Bring about more effective action on drugs and crime. Complete the housing task [force], which I've just launched."

THE ONLY THING HE WOULD NOT TALK ABOUT was his divorce from his second wife Norma. His announcement that he was leaving her raised eyebrows because she is seriously ill with Parkinson's disease.

"It's a personal matter, and I'd just as soon not get into it," Cranston said tersely. "I have to be judged on my whole record, everything that's in it or not in it."

Larry Liebert is Washington Bureau Chief for the San Francisco Chronicle.

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